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ZHIVKOV, LUKANOV, RECEIVE JOHN WHITEHEAD IN SOFIA

AU051501 Sofia BTA in English 1407 GMT 5 Feb 87

[Text] Sofia, February 5 (BTA) -- Mr Todor Zhivkov, president of the State Council, received today Mr John Whitehead, U.S. deputy secretary of state, who is currently on a visit to Bulgaria.

The two politicians discussed the state and prospects for the development of the bilateral relations and a broad range of international issues.

The meeting was attended by Mr Petur Mladenov, minister of foreign affairs, and Mr Melvin Levitsky, U.S. ambassador to Sofia.

This morning Mr Whitehead was received by Mr Andrey Lukanov, first deputy chairman of the Council of Ministers. The Bulgarian deputy prime minister briefed his guest on Bulgaria's socio-economic development.

Mr Whitehead and Mr Lukanov also examined the bilateral relations and agreed that they can be developed further.

In the afternoon the guest continued with his meetings with representatives of the ministry of foreign affairs.

TODOROV ATTENDS SOFIA INTERPARLIAMENTARY MEETING

AU051931 Sofia Domestic Service in Bulgarian 1830 GMT 5 Feb 87

[Excerpts] An expanded session of the steering committee of the Bulgarian Interparliamentary Group and the leaderships of the sections for friendship with the parliaments of other countries took place with the participation of Comrade Stanko Todorov.

Emphasis was placed on Bulgaria's active participation in the work of a number of interparliamentary forums during the past year. At the conferences in Mexico and Buenos Aires, the Bulgarian delegations assisted in the adoption of constructive resolutions. [passage omitted]

Stress was also laid on the Bulgarian participation in the Sixth Interparliamentary Conference for European Cooperation and Security held in Bonn last year. [passage omitted]

Following this report on the activities of the Bulgarian Interparliamentary Group in 1986, a plan for the group's work during 1987 was discussed and adopted.

STROUGAL DISCUSSES ECONOMY AT 27 JAN AKTIV

AU040601 Prague RUDE PRAVO in Czech 29 Jan 87 pp 3, 4, 5

[Speech by Lubomir Strougal, CPCZ Central Committee Presidium member and CSSR premier, at the statewide aktiv in Prague on 27 January: "Urgent Need for New Quality of Socioeconomic Growth"]

[Text] Comrades: We have all become familiar with the resolution adopted by the Fourth CPCZ Central Committee Session. We have fully grasped the sharply critical spirit and extreme urgency of the demands addressed by the party's Central Committee to the executive staff of government agencies and the economic front. This critical appraisal is an expression of dissatisfaction that the fulfillment of the 17th CPCZ Congress resolution in the socioeconomic sphere has not been up to expections and does not correspond to the actual possibilities.

A few days ago the Statistical Office published its report on the results of socioeconomic development for last year. National income increased 3.4 percent, bringing us closer to the planned level. We achieved this particularly by speeding up the growth rate in industrial and construction production.

However, a deeper analysis of last year's economic development shows that certain, often persistent, problems in our economy are not becoming less acute but persist. They are even increasing in certain spheres. This statement applies, in particular, to the inadequate improvement in efficiency and quality; the situation in material-technical supplies to our production; and stock handling. It also applies to our exports to nonsocialist countries and our entire innovation activity.

The low standards of management and organization in the production process, the serious breakdowns in smooth, regular, uniform, operations, and the shortcomings in deliveries to the domestic market (particularly in deliveries of industrial consumer goods) all affect the people's lives to a certain extent and are adversely reflected in society's awareness and psychology.

The government also discussed this at its extraordinary sesion at the end of last year, when it dealt with the preliminary results of 1986 and with our beginning 1987 in light of the resolution adopted by the Fourth CPCZ Central Committee Session.

Every Decision is Verified by Practice [subhead]

In evaluating last year's results we must discard the prevailing common views based on mechanical comparisons of the plan, reality, and percentages, making do with volume indicators alone. We know that tasks of production volume have been fulfilled and in certain respects even slightly overfulfilled in industry, in agriculture, and in construction; the same can be said of the tasks in exports to the socialist countries. We do not overlook this fact in the least, nor do we fail to appreciate the good work of honest people.

Most certainly all this is part of the overall results. But is this the most important criterion now, after the 17th part, congress? Is this the main viewpoint the party, its Central Committee, and the Government are currently striving to promote?

In evaluating last year's results, if we ask how the year contributed to the intensification of our economy -- as we must surely ask -- the reply we must get is that progress in this respect was slow. This fact was critically pointed out by Comrade Husak, general secretary of the party's Central Committee, who said in the report submitted to the Fourth CPCZ Central Committee Session that "the gravest thing is that the required rate of intensification is not being ensured." In this respect, we have not achieved any results, and thus we cannot be satisfied.

We must proceed from the thought that the increasingly larger resources that we are investing in our national economy are not producing the required increased economic efficiency; neither are they laying the foundations for the desirable modernization and reconstruction programs in the key sectors of economy within the necessary deadlines and in the desired quality. Above all, the planned reduction of material costs was not achieved. For instance, the annual plan for industry envisaged a 1.3-percent reduction of the share of material cost in output; but the actual reduction amounted to to less than half. Although the volume of fixed assets in the production sphere increased at least 5.7 percent, their efficiency is far worse than planned. Moreover, employment in the production sphere increased 0.7 percent (overall employment 1 percent) and social labor productivity 2.7 percent; thus its contribution to the growth of the national economy amounted to less than 80 percent -- far less than intended by the talks set by the 17th CPCZ Congress.

Deliveries for capital construction are still being overfulfilled, but this has had no effect on cutting down the construction deadlines or on accelerating the rate of modernization. Last year in particular, the excessive growth of stocks continued; instead of growing smaller, they have grown by more than Kcs18 billion.

The structure of the producton sectors in industry has deviated from the intentions of the state plan in such a way that there are higher dynamics in branches with a high material and energy consumption. Exports to the demanding markets of nonsocialist countries have again dropped, despite the increasing share of exports of raw and other materials. Moreover, the economic effectiveness of these exports has deteriorated further.

One-fourth of the industrial enterprises have failed to fulfill the plan of gross production, and more than 27 percent of enterprises have failed to cope with the planned tasks regarding adjusted value added. Last year the plan fulfillment was even more irregular than in 1985. While the plan for industrial production was, on the whole fulfilled, the shortfall of adjusted value added in the industrial enterprises amounted to Kcs7.2 billion; almost 50 percent of this was accounted for by the enterprises of the Ministry of Industry in the Czech SR.

Last year this ministerial branch underwent extraordinary development. Obviously, after several years of failing to fulfill the plan, we in the Federal and Czech Governments and in the Czech Planning Commission overrated the possibilities that exist in the rate of growth of industrial production. Despite the efforts of the working collectives in most enterprises, it was not possible to achieve the decisive indexes of the 1986 state plan.

To consolidate the economic-political situation in the branch in the way required, we adopted corresponding measures and reassessed the 1987 state plan. [paragraph continues]

However, we justly demand that the ministrial branch, economic production units, and enterprises work out long-term operational programs for developing their activity, which would make it possible to fulfill the newly elaborated program and thus also to minimize the negative effects on the 5-year plan.

The most general causes of our slow progress in the main strategic direction of our entire national economy, namely in ensuring new quality in economic growth, must undoubtedly be sought in such subjective factors as the low quality of decisionmaking on all management levels; the inadequate production, working discipline and responsibility; a lethargic attitude to the solution of one's own problems; the persistent use of outdated methods and style of management and the low degree of organization of labor and manpower. I repeat, these shortcomings can be found on all management levels, even in the center.

In fact, a realistic appraisal of the internal and external conditions does not, in the least, indicate that the goals of the approved state plan for the Eighth 5-Year Plan are, perhaps, excessively high.

Nevertheless, the shortcomings cited above also reflect the insufficient effectiveness of the current economic mechanism. This is also manifested in the fact that the qualitative aspects of the reproduction process are still regarded throughout the management sphere as being of only secondary importance. Some of the staff in state and economic apparatuses still think only in such categories as tons, meters, or gross production worth millions of korunas; they do not think about the way our production is coping with consumer demand (subjected to the merciless diktat of rival producers on the foreign markets), how much it costs, and what kind of quality is produced.

Rigid adherence to quantitative approaches in assessing enterprises is highly damaging to our national economy. Although the economy is operating with excessively high stocks of materials, unfinished products, and also finished products, we have not ensured better material-technical supplies for it.

The losses in our national economy are also due to the unfavorable structure of stocks. We have a high percentage of unwanted products of poor quality, which it is (and will be) very difficult to sell. Obviously, we have no use for such production, even though in some places it was possible to report the necessary 100-percent fulfillment of the planned indexes and obtain corresponding payments of appropriate remunerations and bonuses.

In view of the fact that the stocks are tying up a large volume of resources, the process of releasing them is a topical task; all management links, including central agencies, must concentrate on resolving it. Success here depends on the active approach of the State Bank, of the Ministry of Finances, and of the planning commissions, but also on the energetic course of action taken must be aimed at giving clearly preferential treatment to enterprises capable of working with low stocks, whether in the role of suppliers of consumers or enterprises that freeze their stocks.

However, the persistent orientation to quantity is not only increasing stocks; its other dark aspect is that it deforms the structure of our production. We are not succeeding in realizing our intention of reducing the amount of energy-intensive and material-intensive production.

Another burning issue discussed at the Fourth Session of the party's Central Committee was that of production quality standards, and of working standards in general. The congress urgently drew our attention to this. Nevertheless, the reaction produced by this demand in the economic sphere is not commensurate with its significance. The losses caused by poor quality products continue to be far too palpable, so we cannot afford merely to take note of them.

For instance, up to 20 percent of all export deliveries are being held back at inspection because of inadequate quality; for certain ranges of products on the domestic market this figure is even higher. Likewise, losses due to rejects are very high. On the basis of a CPCZ Central Committee Presidium recommendation, we in the government have therefore adopted measures intended to counteract this unhealthy trend and help to improve the situation more rapidly in this respect. The measures are focused more comprehensively than heretofore on promoting steps leading to higher technological discipline in production; they formulate sharper consequences for cadres and affect the personal interests of the executive staff. From now on, losses caused by poor quality products will be reflected in the financial economy of an enterprise both in costs, but also in additional deductions from profits -- that is, twice over.

At the same time, the government has instructed the People's Control Commission to carry out independent quality inspections from the outside; it has provided the Commission with extraordinary powers to do so, which will be used in cases of organizations in which serious shortcomings are found with regard to the quality of their products, particularly those for the domestic market and for export. Essentially, the extraordinary powers will enable the People's Control Commission to hold back products due to be dispatched, and even to stop them being produced; it will also have the power to cut the prices of products and introduce a special regime. In such instances the leading staff of the inspected organizations will not be entitled to annual bonuses or to a share in economic results.

Although this decision does not fully correspond to our idea of the proper development of the management system, in the present situation it is unavoidable: In view of the conciliatory, benevolent attitude to shortcomings in quality that now prevails in production, trade, and the services, we must vigorously fight this atmosphere. We must tangibly penalize those who cause losses through poor-quality production.

We expect that concern for quality and for systematically reducing losses due to rejects will become your primary concern and the primary concern of all responsible staff; we expect you to help to bring about a fundamental change in this respect. The law on state product testing [statne skusobnictvo] currently being prepared will also play a role in this.

The questions of quality are closely linked with the level of supplier-consumer relations. Probably none of the other economic spheres has been as criticized recently as this one. In fact, the consumer does not exist who does not complain about his suppliers. Yet, almost none of the critical consumers will acknowledge the breakdowns of others to which he himself has contributed. This general shifting of responsibility to others cannot provide a solution. The central agencies, too, have failed to devote proper attention to these issues -- both last year and when preparing the 1987 plan. This must change.

Basically, the main thing is to smoothly harmonize material and monetary relations between production and consumption, as represented by deliveries to our domestic market, by deliveries for consumption in production, for export, and for capital construction. [paragraph continues]

On the other hand, we are also concerned with harmonizing domestic production and imports. This is linked with the inevitable ensurance of necessary resources for export needs.

It is essential to regard the state of our internal economic equilibrium as the cause and expression of the unfavorable development of these relations to date. The discrepancy between the amount of monetary funds at our disposal on the one hand, and the extent of work, services, and products offered on the other, is constantly deepening. The loans granted to organizations are growing approximately twice as rapidly as our national income. In such a situation, it is no wonder that an atmosphere of chasing after things, of subservience and bribes, reigns in supplier-consumer relations and that there is a lack of pressure on suppliers to deliver good quality.

That is why the central agencies and the bank must apply far stricter criteria with respect to access by individual enterprises to financial resources and cut down the extent of granting loans.

The current, relatively easy, access to financial resources is also one of the reasons why investments with substandard effectiveness are being carried out, construction deadlines are being prolonged, budgeted costs for construction projects are being overstepped, and the planned parameters are not being achieved. Naturally, there are several reasons for these phenomena, including a vast number of regulations that are frequently superfluous. Matters are all the more urgent here. Since the investments predetermine our economic efficiency far into the future, that is why we are confronted here, too, with the imperative need to take resolute measures. The government is preparing measures that will be far more effective in preventing a repetition of these shortcomings, this disorder, these manifestations of a culpable lack of discipline among investors, suppliers, and designers. New measures will simultaneously lay down the conditions for making efficient investment decisions.

The unsatisfactory situation in capital construction forces us to envisage temporarily limiting the number of new investment projects and halting work on those projects under construction that show below-average efficiency and have no prospect of early returns. In the interests of organizational prosperity, every investor must carefully weigh everything before starting an investment project, because a mistake in investment represents a long-term loss for society, the collective, and the individual.

However, at the same time we not only want to allow, we even want to promote, investments (especially those aimed at modernization and rationalization) that prove to be worthwhile and can significantly raise the national income. We are counting on the Czechoslovak State Bank always to have the necessary funds for granting investment loans in the required amounts (after a thorough economic appraisal) despite a stricter loan policy in our national economy.

In 1986 we, in essence, ensured the planned growth of personal consumption. Nevertheless, because of the problems and shortcomings I have already mentioned and because of certain other factors, we are not satisfied with the structure of this consumption or with the persevering qualitative shortcomings in the goods and services sold.

We all know that the domestic market as a whole is lagging behind the demands of the times. Particularly obvious shortcomings continue to exist in the offer of industrial consumer goods. Here, neither production nor trade have been satisfying demand for certain products that have become standard in the world for some time; this applies to freezers, color television sets, and other modern consumer electronics products. [paragraph continues]

Apart from that, we are unable to ensure smooth supplies, the desirable range and quality, and the necessary innovation of goods for everyday use; and this especially applies to their technical parameters and esthetic qualities.

In the government and lower management links, we must deal with these issues thoroughly and quickly and from the critical viewpoint expressed by the Fourth Session of the party's Central Committee.

Comrades, we must bear in mind that failure to consistently eliminate the above shortcomings could lead to a situation where even a revived dynamics of the creation of national income would not, in itself, be sufficient to improve living standards and to achieve a positive change in the country's sociopolitical climate.

That is why it is essential to devote all our energy to this year's tasks. They remain valid; and we must insist that for the most part last year's debts must be paid for this year. But meanwhile, even the intentions of the 1987 state plan have not been fully ensured in the economic plans. At the same time, the main problems increasingly concern the qualitative aspects of the economy.

The Federal Government has instructed its ministers to personally make sure, in the course of this month and next, that the economic production units and enterprises establish fully realistic prerequisites for fulfilling this year's planned tasks and also the tasks of each of the subsequent years of the Eighth 5-Year Plan.

The central agencies must help to overcome the current urgent problems by their purposeful work; at the same time it is essential for economic production units and enterprises, which must be gradually provided with great powers and a high degree of responsibility for their efficient development, to develop their own initiative. They must be capable of working out programs and plans for the development, and they must also be held financially responsible for realizing them. But this means that they must have a clear idea of their own long-term development, the modernization of their production, how they will establish direct relations with the organizations of CEMA states, how they will select and resolve the tasks of scientific-technical development and raise the technical-economic standards of their production, and so forth.

All of this is, and will increasingly be, contingent on the perfect knowledge about the standing of "one's own" manufacturing branch in the surrounding world in technical and economic terms. Our own situation must be continuously compared with the state of affairs and development within the framework of competition and socialist integration. In addition, comparisons must be made with the keen competition of capitalist manufacturers.

Comrades, although short-term tasks arising from the Eighth 5-Year Plan and from the problems concerning its fulfillment are currently in the forefront of our attention, we must not, even for a moment, forget that it is equally important to deal with questions of the long-term outlook. This does not concern the center alone; the entire sphere of management including general directors must become involved in the work of drawing up a long-term economic strategy. The strategy must be aimed at achieving the goals laid down by the 17th Party Congress for the period up to the year 2000. The concept of this outlook must exhibit appreciation for and discernment of the main qualitative changes of the future occurring at the end of this millennium and the start of the next millennium. The entire 15-year period the outlook will embrace will be a period of qualitative turning points and changes. We will have to provide a comprehensive answer to the question of how to ensure the country's development and growth in people's living standards through labor productivity growth.

It is necessary to realize that drafting this long-term strategy has nothing to do with formulating abstract visions of the future, but that it must map out targets whose implementation must be the goal of the decisions that are being made today. For example, what the Czechoslovak economy and society will look like at the end of this century will be determined by today's method of allocating investments and the effectiveness of these investments, today's methods of cadre training, and today's standard of assimilating scientific know-how and of applying it in technical development.

The long-term development, the work on the long-term outlook, and the approach to this work test the moral responsibility and professional competence of all cadres, and of management cadres in particular. Every director and every minister must therefore be conversant with the basic features and development trends of the sector of social production he supervises, predict what the world of the year 2000 will be like, and anticipate this in his management. This, too, is part of the new conditions under which the Czechoslovak economy operates and, at the same time, one of the criteria for gauging the success of our joint work.

The Results of Restructuring Depend on a Consistent Approach [subhead]

Comrades, the decision of the CPCZ Central Committee Presidium and the Federal Government to start restructuring the economic mechanism and, to put it even more accurately, the whole system of national economic management marks the beginning of the implementation of one of the most important conclusions of the 17th congress of our party, a conclusion produced by a profound analysis of the long-term development of our economy and arising also from the new needs and requirements of the strategic line of accelerating our society's socioeconomic development.

Without this restructuring it is unthinkable to meet the far-reaching targets that constitute the practical content of this strategy for the entire period through the year 2000.

When speaking about restructuring, it is necessary to bear in mind that it is not one of many routine tasks. It is much more than that, it is a deep incision in the life of the society as a whole and of each one of us. Comrade Gustav Husak, general secretary of the CPCZ Central Committee, was therefore absolutely right when he said at the session of the CPCZ Central Committee Presidium that discussed the draft of the Principles that it represents the most revolutionary change in the management of socioeconomic processes since February 1948.

Restructuring anticipates not only a much more thorough utilization of socialist production relations and, consequently, substantial headway in the development of production forces, but it also anticipates pronounced changes in general social relations, in the functioning of social institutions, and in everyone's way of thinking and attitude toward the most urgent tasks and problems of the present.

This means that the restructuring of the economic mechanism places on the current agenda the solution of a broad range of issues concerning not only the economic base itself but, along with it, also the entire superstructure; that is, virtually all other spheres of social life.

The reason for this is quite obvious. We are faced with the task of uncovering new sources of dynamism, which we need so much. These sources are endemic to the socialist manner of production and spring forth from its essence. They are virtually inexhaustible because they are based on the possibility of proceeding from the identical, basic interests of the socialist society's absolute majority. We must rely on these basic interests.

The overwhelming majority of those whose business it is to ensure the smooth running of our economic life feel the need for such changes, be they workers, technicians, engineering cadres, economists, or managers. At the same time, it must be said the urgency of these changes has been felt for some time.

We have realized that need already since the middle of the seventies. We reacted to it with some measures. These, however, have not brought about any clear change in the conduct of the enterprises' economic sphere toward national interests and priorities, and they have not had the desired influence on the planning and management work of the center.

The reason for this was, in particular, that the management changes were carried out only as partial, and sometimes even formalistic, amendments of indicators and methodological procedures. The tangle of rules and regulations, whose power and effectiveness was overestimated, proliferated to the detriment of strengthening economic methods. We did not succeed in consistently and very accurately demarcating the authority of central management and enterprises. The consequence of this and other shortcomings is that the present day management practice constitutes an immensely complex mechanism, typical of which is the extensive administration and cumbersomeness, egalitarianism in the distribution of enterprises' income and wage resources, and the strong effect of monopolistic tendencies.

From all this it arises that the essence of the management system remains unaffected by these partial amendments. Therefore, changes have not led to a more marked assertion of elements of intensive development in the renewal process.

Today one could ask why this was so, why we did not proceed more resolutely in the matter. There is no need to conceal that a role was played here by the experience at the end of the sixties, and as the consequences -- seen from today's viewpoint -- by our overcautiousness. But one cannot conceal that a lot can be blamed on the low level of understanding [poznani] and our general attitudes, burdened by rigid approaches and dogmatic interpretation of some theoretical issues of political economy.

What, for example, is the point of the not exactly simple development of views on the application of money-market relations and the law on value under socialism? Even today one can hear the view that money-market relations are the product of capitalism, and thus their application has no place in social production under socialism, because they are catalysts of fortuitousness [zivelnost].

In this case, one forgets that it was not capitalism that created money-market relations. They existed long before its inception, and their origin -- to put it very generally -- lies in the social division of labor. The theory and practice of socialist construction affirm that these relations inevitably preserve their objective validity even at a very high level of development of the socialist society. Naturally, they have a different content, and also the objective limits of their effect are constrained by the existence of social ownership and the national planned management of relatively independent socialist producers of goods. Within the framework of such conditions, money-market relations lose their function as the sole, autonomous control mechanism of social production.

In our conditions, we must make much better and more effective use of prices, remittances, taxes, credits, and khozraschet [cost accounting systems], consistently compare costs with the results of management, and create prices on the basis of the socially necessary labor costs. [paragraph continues]

If we talk in these concrete terms, there is no need for serious arguments about the need to make use of these instruments and thus cast doubt on money-market relations in that sense.

It is, after all, natural for the socialist state to make use of the broadest possible range of instruments and methods of direct and indirect management to develop the economy. Now, when we will be making more extensive use of value instruments to create an exacting economic environment, the transition to intensive development cannot be implemented without them. Thus, they will only be acquiring the place that they should have had, for a long time, in the system of the socialist economic management.

In mentioning money-market relations as a problem that can cause some people to have doubts, we are aware that this is not the only question involved. Restructuring the overall management system poses many more questions, and we are convinced that our socioscientific workplaces -- through quite frank discussions and polemics -- will contribute to clarifying them and will help, through practice, to formulate concrete solutions.

I think that precisely in this context one has to highly praise the creative theoretical-understanding and programmatic activity of the CPSU, the role of its program, of the resolutions of the 27th congress, and of the individual Central Committee sessions which follow that congress. One must praise the quite open and innovative approach to all issues and problems, whose solution is on the agenda of the day. For all of us, this is an invaluable source of knowledge and, in many respects, it strengthens the certainty of our orientation and the practical steps which we want to and must undertake.

And it is not at all a coincidence that the concept of our reform -- its fundamental features -- corresponds with what the Soviet comrades are also striving to attain in restructuring. We realize that -- from the historical viewpoint -- this is the third time we are making an attempt at restructuring, and that practically 30 years have elapsed since the first try. Many of us still remember it, and thus, we also know the reasons why we never got beyond the attempts. The reasons were that a momentous conflict arose between pragmatic development plans, enshrined in the draft of the Third 5-Year Plan, and the substance of the measures adopted in the management system. That conflict was resolved very simply. Everything was rescinded without a profound analysis of possible alternatives -- the pragmatic program of the Third 5-Year Plan, as well as the reform. The low standard of understanding undoubtedly played a role in this respect. However, much greater weight lay with the lack of faith in the possibility of choosing administrative forms of management which are other than routine and influencing economic processes. As regards the economic reform initiated at the beginning of the second half of the sixties, the reasons for the retreat were different.

Even today, there can be no doubt that reasons for its existed. The fact that the original project for that reform, as adopted by the 13th congress of our party, corresponded to the degree of understanding and the needs of that time is also beyond doubt. It contained a number of correct and valuable elements which would be used and further developed in practice.

However, in the course of the well-known events around 1968, this plan was misused for completely different political objectives and interests. The original reform project was distorted and, in essence, abandoned. A concept of unlimited market relations, fragmentation of socialist ownership and an abandonment of the principle of planning got the upper hand.

I am recalling these facts for us to realize that both these attempts signalled the objective need for starting our national economy's gradual transition onto the path of overwhelmingly intensive development. This, in our opinion, important lesson must be consistently projected into our determination to realize, 100 percent, the concept of restructuring the economic mechanism. It must find expression in our unequivocal determination and, if you want, also our courage, not to retreat before the first obstacles and difficultites, before conflicts, with which we must naturally reckon.

We have no other choice. Prolonging the continuation of the existing management system and economic mechanism would constitute exposing the realization of the strategic line of the 17th CPCZ Congress to serious risks. In addition, the existence of the present system would prompt a variety of consequences in the social and international spheres and a series of inevitable conflicts. After all, the course and the results of last year intimate this year in many ways. We cannot conceal from ourselves the fact that people are dissatisfied with the low level of rhythm and smoothness in the production and work processes. Moreover, as a result of the relatively low performance of our economy, society cannot satisfy its interests and needs to the extent and with the quality it needs.

Our recent economic development shows that we have been having increasing difficulty in achieving the plans connected with development, that each step we take forward has cost us increasingly more effort, more work and more resources. For a long time now, we have had a number of problems, such as low growth in productivity of social labor, untenably high energy- and material-intensiveness in the creation of national income, and unsatisfactory valorization of national work in foreign trade. This is the result, above all, of a very slow pace and inadequate assimilation of new scientific-technical findings in production and consumption.

An analysis of the development trends of the Czechoslovak economy in the past 10 years reveals many facts which affirm this conclusion.

In the first place, there is the slowdown in the increment of net national income. In the Fifth 5-Year Plan, it constituted 31.5 percent, in the sixth, it was less than 20 percent, and in the seventh already only 9.3 percent. The mentioned drop in the rate was, of course, also accompanied by drop in its absolute increments from Kcs80.5 billion in the Fifth to Kcs75.5 billion in the Sixth, and Kcs38.5 billion in the Seventh 5-Year Plan.

However, when assessing these trends, one cannot fail to see that in the past 5 years, we were obliged to react to complicated external conditions and eliminate their unfavorable consequences to the detriment of domestic resources.

Therefore there were partially objective reasons for the lower rate of economic growth, although the main factor was an absolutely insufficient utilization of the intensification factors of economic growth. With some of them the efficiency curve even dropped; this applies in particular to the production of capital assets. In 10 years, efficiency declined to such an extent that the same amount of assets produces one-fourth less national income. Let us assume that if we could succeed in maintaining the efficiency of capital assets at the 1975 level, we could save approximately Kcs430 billion in investments. This is equal to the amount of our entire capital construction in the production sphere for a full 4 years.

As a consequence of the inadequate introduction of scientific-technical progress in production and as a consequence of investing on a low technical-economic level, the rate of labor productivity has been slowing down. In the Fifth 5-Year Plan, productivity rose by almost 27 percent, in the sixth by only 16.6 percent, and in the seventh by only 7.4 percent. [pagaraph continues]

The development of the share of production consumption in the social product has been stagnating since 1970. It continues to oscillate around 61 percent, which shows that we still have not been successful in clearly overcoming the obstacle of the high fuel-energy-intensiveness and raw-and other materials-intensiveness in the creation of national income.

This development is also reflected in several spheres: The utilizaton of national income, the rate and quality of restructuring the material-technical base, the satisfaction of needs in the nonproduction sphere, the increase of average real wages and, consequently, in the increase of consumption per citizen.

Aware of the necessity to overcome these and other problems, ensure the acceleration of socioeconomic development and a substantial rise in its dynamism and quality, our party's 17th Congress adopted the decision on the restructuring of the economic mechanism and the overall management system. The principles of this restructuring were discussed by the Presidium of the CPCZ Central Committee in the middle of December last year, and they were published at the beginning of January. Their purpose is to open the scope for society's creative forces and enable them to fully utilize all internal potential in order to achieve the objectives which the congress approved for this 5-year plan.

There is no doubt that the primary causes of the urgent need to fundamentally restructure the system of management have sprung from our own domestic development, from the urgent need to uncover new sources of social movement and acceleration of our society's development. However, we must realize that these causes do not stand here on their own; they also have their international dimension and contexts.

These causes lie, above all, in the fact that the entire socialist community has entered a new stage of development. Also the struggle for its new face, influence, and attractiveness has been acquiring new dimensions. We intend to apply our forces together to be able -- in the foreseeable future -- to catch up with the developed capitalist countries in economic performance and labor productivity.

The solutions to the key problems of the present, especially the upsurge of modern production forces, transcended long ago the borders of individual countries. This highlights our technological backwardness in some sectors, but also shows that the way to overcome it lies in the consistent internationalization of efforts. We can master this immense task only and solely together. There is no alternative.

A common effort on the part of all socialist countries is inevitable in this respect, the more so since we are engaged in a merciless competition with the developed capitalist world. Its decisive pole is competing for technological primacy, because only in tandem with the most advanced science and technology can we unfold and fully implement all the historic advantages of socialism.

We are obliged to do that for the revolutionary legacy, for ourselves, and for future generations. We are also obligated to those who are still struggling for their social liberation and for whom the picture of socialism should be ever increasingly more attractive. Because of this we again realize that it is not enough for socialism just to have better ideas than the old world; it also must show better results.

We are entering the new struggle for the efficiency of socialism inspired by the innovative and highly motivated spirit of the 27th CPSU Congres. [paragraph continues]

The urgency of all necessary steps and measures is multiplied by the pressure which world imperialism, and especially the United States, has been unfolding against socialism on all fronts. They are escalating the policy of confrontation, and through all-round discrimination and forced arms buildup with its constantly increasing costs, they want to complicate and retard the development of the socialist countries.

This is another substantial reason for the need to have our national economy highly organized, highly efficient, and highly effective. This, literally, is a categoric requirement.

Comrades,

A unity of views on the need for fundamental changes does not yet mean unity regarding views on what the substance should be. The document on the restructuring of the economic mechanism must become the basis for uniting views. The document demarcates its basic directions and content and determines how we are to proceed when working out principles and introducing them into economic practice. By its complex concept and internal interlinking, it affects all key problems of the functioning of our national economy.

And not only that. By its consequences, the restructuring will intervene also in other spheres of social life and also put new demands on them. We always must keep in mind those mutually intertwined structures the economy has with politics, culture, ideoeducational activity, and morals. Therefore, one has to count on the restructuring of the overall system of management to influence the further perfection of the political system, ideological work, and bring about positive changes in the moral atmosphere.

The restructuring will require inevitable changes in the activity of the socialist state, all organizations of the National Front, national committees, as well as of the Communist Party and its agencies.

Uniting Economic Mechanisms With Pragmatic Decisions and People's Activity [subhead]

Comrades,

When we speak about the economic mechanism, one could get the impression that we see in it the only instrument which will automatically ensure us rapid development and eliminate the ills in our economy.

We know that the economic mechanism is not this instrument, and even after its restructuring it will not be a panacea and omnipotent. We do not absolutize [neabsolutizujeme] its role in any way, and are fully aware that to successfully work and achieve the necessary results in the socioeconomic sphere, one has to have a unified and mutually coordinated functioning of three basic components: of the pragmatic program of development, of the economic mechanism, and of the human factor. The requirement is to dovetail their functioning in a way that will complement one another and thus multiply their effectiveness.

Without a corresponding economic mechanism, we cannot master the pragmatic problems connected with the development of the economy such as its restructuring, enhancing the quality of production, and achieving harmony between material resources and needs, on the basis of developing science and technology. And also the other way around: The prerequisite for the success of this mechanism is a timely and correct solution of pragmatic issues, as well as an activity of the human factor, directed in the desired manner.

The 17th congress formulated the basic features of the practical program, even up to the year 2000. It is necessary to fully appreciate and profoundly ponder what is required for its realization.

At the congress it was said that national income -- compared with today's -- is to increase by at least two-thirds over 15 years, and social labor productivity is to increase at almost the same pace. At the same time we must reduce the energy-intensiveness of the creation of national income by at least one-third and the ferrous metals-intensiveness by 40-50 percent.

Only in this way will we create prerequisites for the growth of personal consumption by at least 50 percent, for the construction of 1.5 million apartments, and for fundamental progress to solve economic problems. Does anyone think that such objectives can be achieved with the existing system of management?

The fact that we are now putting the restructuring of the economic mechanism in the foreground is the result of it having considerably fallen -- in its present form and effectiveness -- behind the needs of the times. After all, by its substance it was a mechanism to ensure socialist industrialization in the fifties and the economy's consolidation at the beginning of the seventies. This mechanism simply no longer corresponds to the new strategic line and the objectives adopted by the 17th CPCZ Congress because it does not stimulate intensification and the acceleration processes.

Permit me to say something on the content of the Principles for Restructuring.

First of all, it is necessary to stress that the restructuring of the economic mechanism and the system of management in general proceeds from the existence of the social ownership of production means as an immutable foundation of the socialist way of production, the foundation of our society. We wish this social ownership would further strengthen and develop.

This demand is matter-of-course and normal, but we must strive for more. We must strive for its advantages being displayed by a fast pace of social labor productivity growth so we can fulfill more fully the needs of the entire society and all its members. This is the purpose of the restructuring. Together with this, we are interested in elevating to a much higher level the collective awareness and the conduct of the people as sovereign owners and fully responsible managers.

From the role of socialist ownership perceived in this way, it logically arises that we must more comprehensively use and more effectively implement permanently valid principles of the socialist economy and socialist society's management such as planning, social justice democratic centralism, consistent implementation of all functions of the socialist state, and the leading role of Marxist-Leninist party.

The application of these principles must be comprehended in their unity and mutual interconnection and in this way also asserted in all spheres of the new economic mechanism — khozraschet and organizational structures. And this is extraordinarily important: This must apply to all levels of management, with the central agencies at the beginning and the smallest collectives of working people at the end.

This is why we put such stress on improving work and enhancing the effectiveness of central management while, at the same time, substantially expanding the independence of economic organizations.

Everyone Bears Part of Responsibility [subhead]

It is necessary to understand that we are not pursuing the path of strengthening one thing to the detriment of another. This has nothing in common with the old perception of administrative centralization and liberal decentralization, as it is sometimes being simplistically interpreted.

In what is the substance? We are interested in both these vital spheres of unified socialist economy fulfilling their specific functions, not interfering in one another's powers, not transferring their responsibility onto someone else, and, at the same time, being guided by identical objectives. Nothing else is involved but strictly respecting objectively different statuses and functions of the center and of economic organizations demarcating their powers, responsibility, and mutual relations much more precisely.

How is one to understand the demand for enhancing the effectiveness of the central management? What is one to imagine under this? Above all, a substantial change must occur in the content of work and in the decisionmaking of the central agencies.

The main and most important thing is the creation of a medium and long-term strategy, general equilibrium, and proportionateness [proporcionalita] of the economy on the domestic market, in investments, in external economic relations, in the distribution system, in the management of the most innovative and structural changes from the national economic point of view -- joining the international labor division -- and in the incessant development of the economic mechanism. The main purpose of all this is to create ever better material conditions for the realization of the CPCZ social program.

One has to say that these tasks are one of the weakest points in the activity of the central agencies today. We must achieve a capability on the part of the socialist state to correctly determine the direction of and to deploy in a concentrated manner the necessary forces and means wherever the dynamism and effectivenesss of development are being decided.

The second range of the center's work content must consist of the general management of the economy's operation from the positions of the 5-year plan. Here the main attention must be paid to issues connected with the systematic renewal of the economy's equilibrium and proportionateness.

When we speak about the general management of the economy's operation being a significant component of the national economic center, we do not at all mean the practice that exists today. The general management as perceived today is strongly marked by departmentalism [rezortismus], which prevents an effective and coordinated direction of the economy's functioning. Until now, as the saying that the shirt is closer to one's body than the jacket, every department has been resolving only its own problems, which it usually considers to be the most important.

At the same time, the management of the economy is being confused with unauthorized interference with the powers of organizations. Matters have even come so far that ministries have been deciding about operations and workshops, partial deliveries of components and spare parts. Thus the center, without sufficient knowledge of the conditions in production units, draws detailed balance sheets, allocates, and redistributes, frequently in favor of those doing poorly and to the detriment of those doing well.

Unfortunately, this so-called management system suits many people. They are important, and in many cases, their authority rests on totally subjective and sometimes on unprincipled decision making and distribution with regard to "what, whom, and how much." One has to say that this practice also suits many lower levels because it releases them from their responsibility.

The greatest weak spot of today's practical management is that central agencies often only register problems, react to them belatedly, and resolve only their consequences and not their causes.

The third range regarding the activity of the central agencies is to be the demarcation of rules and conditions for an effective management of organizations and their socialist entrepreneurship. Here a broad range of issues is involved.

The most important of them is changing the content and methods of the state plan's detailed application in the enterprise sphere. Instead of the present-day complicated and individualized breakdown of indicators, we must devise long-term and -- in principle -- uniform criteria, especially the normative rules for the creation and utilization of resources, the main instrument of the plan. Up to now the manner of transfering the tasks of the state plan to enterprises has been accompanied to an untenable extent by regulations, methodological instructions, and orders that not only fragment the generally valid norms but also considerably restrict the responsibility of lower components of economic management. Abandoning the practice of managing through detailed indicators and changing over to economic methods of management will greatly reduce the untenable administration [operative] of the center.

This perception of the center's work requires that we consider how to most expediently adapt the organizational structure of the central agencies and their mutual linkages and powers so that they fully correspond to the requirements arising from the fundamental restructuring of the overall management system.

We regard changes in the system of planning and perception of the state plan to be absolutely fundamental and vital for the restructuring of the economic mechanism. The changes -- in their entirety -- must solidify and ensure the strategic objectives of the society's socioeconomic development. They must orient the economy's dynamic, proportional, and balanced development toward that. The state plan will include, and will mutually dovetail, the tasks and contributions of scientific-technical development, national economic innovation in production, important changes on the markets abroad and at home, and the needs of branch and territorial development, including environmental protection.

Great effectiveness must be the unifying factor for all these spheres. Only savings in social labor can release resources for the growth of the necessary quantity of products, work, and services in the desired structure and high quality.

For this reason we attach particular attention to the state plan mutually harmonizing the in kind volume and value [naturalne objemove a hodnotove] aspects of the renewal process in their unity. This means that it should comprise the fundamental structural changes of production and consumption, the development of prices, and the organizations, of the population, and the state.

The expression of this must also be the search for optimal variants of our production and scientific technical development, taking into account what we will be capable of profitably producing and exporting or, on the contrary, more favorably importing.

In this connection, I wish to stress that the extent of in kind [naturalni] volume indicators will be markedly restricted. Strict rules will be determined for their transfer to economic organizations.

It is necessary to incorporate, in a uniform national economic plan, the decisive parameters of the plan for the development of prices, of the currency and credit plans, and of the fiscal and budgetary policy.

Someone might ask whether we have not already planned for all that today. After all, next to the state plan, we have the currency and credit plan, the plan of the development of prices, and the state budget. Of course, the problem is that these value plans are not perfectly dovetailed and that they are only being passively adapted to material quantities and the proportions of the state plan. We want to change this; we must change this. What is simply involved is that the value instruments of management, effectiveness, and stimulation should not stand passively next to the plan, but they should actively influence the creation and the realization of the plan. Not only an uncontrolled effect of the market value instruments outside the plan, but their active utilization within the plan's framework is involved. This is the fundamental change.

We want the state plan to more effectively utilize the objective functions of the value instruments and much more perfectly direct them. In this way, they would have an active effect on ensuring the overall objectives of the party's economic policy.

The demand for enhancing the effectiveness of central management and planning, which constitutes one of the characteristic features of the restructuring of the economic mechanism, envisages a new concept of the content of the activity of -- in particular -- the State Planning Commission as the state's main economic staff [stab].

The new perception of the commission's role and the content of its activity will significantly influence the orientation of the work of active participation in the creation and realization of the state plan.

Strengthening Khorzraschet, Self-Funding, and Independence of Organizations. [subhead]

Comrades, the basic content of the restructuring of the economic mechanism is increasing the independence, powers, and responsibility of the enterprise sphere. We want to increase this independence markedly and comprehensively.

It is important that enterprises -- while respecting social needs and priorities -- have the broadest possible powers to decide issues such as selecting the structure of production and the manner of getting supplies, of marketing, and transportation. They must be authorized to independently decide about the use of their own resources for scientific technical development, investments, wages, social needs of the working people, and pooling resources. Co-decision about their organizational systems must be included here.

The concept of restructuring the economic mechanism also depends upon the fact that production enterprises will have the right to carry on foreign trade activities, establish direct relations with partners abroad, and set up joint ventures. [paragraph continues]

This is of particular importance with regard to the socialist countries and in connection with demands for a more rapid realization of the tasks arising from the Comprehensive Program of Scientific and Technical Progress of the CEMA Member Countries Through the Year 2000.

We all know well the present state and level of powers and responsibility of the central and economic organizations. A certain discord exists here, which we cannot continue to repeat. The promulgated Priniciples For the Restructuring of the Economic Mechanism show that we want to change this state of affairs fundamentally. The powers and responsibilities of economic organizations we envisage in the restructuring cannot be compared with the present state of affairs. We proceed from the fact that the reform, which is being prepared, gives enterprises the necessary rights and responsibilities, a matter that creates conditions for genuine socialist entrepreneurship. Under this term, we understand creative economic activity on the basis of socialist ownership, which, while respecting social needs, proceeds from the internal stimuli of the given economic organization and is not forced upon an enterprise by an instruction or order from the top.

Of course, integrally connected with these extensive powers are also substantially higher duties and responsibility for high effectiveness in managing resources--which are the property of the entire society--while ensuring social needs for one's own long-term development and for satisfying the social needs and interests of the enterprise's collective of working people. All this functions within the framework of generally binding exacting social norms, rules, and conditions.

The principles for restructuring the economic mechanism envisage that economic organizations will be transferred to complete khozraschet, and that the principle of self-funding will be implemented within the framework. This means that an economic organization is fully responsible for the fulfillment of direct tasks of the state plan and normative rules, for the fulfillment of remittances to the state budget, for effective management, and for fully covering its needs from its own resources. What is concretely involved is that whoever wants to invest, build himself up, make purchases abroad, or increase wages must earn it. The unsavory practice of the outstretched hand and of constantly demanding things from the state budget -- the extensive redistribution processes where one takes from some people and gives to others regardless of their efficiency or losses -- will have no place in these conditions. Everyone must be prepared to bear the favorable or unfavorable consequences of his decisions, as well as the risks arising from changed external conditions. With a protectionist policy we would never be able to raise real socialist entrepreneurs.

An integral part of the organizations' increased responsibility must also be their ability to react quickly to the new stimuli of scientific-technical development, to the changed demands of foreign and domestic customers, and to the development of economic conditions on markets abroad. Entreprises rightly demand the long-term validity of the normative rules of material incentives. However, it is necessary to realize that the other side of this validity is precisely the flexibility of prices, the changing exchange rates, and other economic instruments which organizations will have to confront without the possibility of demanding additional social resources.

All this has to be said for all of us to become aware that realizing the adopted Principles does not only constitute handing out powers, slapping one another on the back, forgiving shortcomings, and conciliation, but -- on the contrary -- entering the very tough conditions in which economic organizations will have to work.

In connection with the intent to substantially increase their independence, there is still one more sensitive issue: How to most rationally organize our production-technical, scientific research, as well as supply and trade bases. Until now, all reforms in that sphere have been focusing on unilateral centralizaton and concentration of organizational units along the line of branches and the territorial line. In the structure of economic units, we lack medium and small organizations, which are capable of reacting much more flexibly to rapidly changing needs. Therefore, this matter must be a subject of careful assessment.

It will apparently be necessary to abandon the present uniformity and association of economic organizations, not to assert absolutely the so-called branch purity but to separate those units which do not rationally belong together. It is necessary to make more extensive use of the combine [kombinatni] and territorial principles pertaining to the construction of enterprises and to choose more flexible and varied types, a matter that will also make possible various forms of entrepreneurship abroad, including joint ventures. Enterprise will have the right to set up their scientific research, design, trade, supply, and other worksites and formations.

The transition to a substantially greater independence of economic organizations, the proper adaptation of linkages between the central management and enterprises, as well as the changes in organization and powers require that we soon prepare a draft law on socialist enterprise. In drafting it, it will be necessary to make use of the fraternal countries, especially the Soviet Union, while of course respecting the specific features of our economy.

Another important feature of the restructuring of the economic mechanism's restructuring is the transition from the present overwhelmingly administrative management to management in which economic methods and instruments will markedly predominate at all levels.

If, on the national economic scale, the category of national income constitutes the most complete expression of the results of social labor, then we must also measure the results in the enterprise sphere with a corresponding yardstick, that is, in terms of categories such as net production and net income. This applies to the creation and realization of economic plans, to the assessment of genuine contributions to society, and to remuneration.

The criteria of effectiveness are the source of all normative rules as well as of all remittances into the state budget.

What are we pursuing by using these criteria?

You know that for a long time now we have been discussing the need to create an atmosphere of necessity, literally of hunger, for the results of scientific-technical development. We have been striving for this for years, although unfortunately without much success.

By using normative rules as part of the state plan, we want to create conditions in which enterprises strive out of their own interest for maximum effectiveness, use to the greatest possible extent the results of scientific-technical development of the advantages stemming from the international division of labor, develop and accelerate innovative activity, and perfect the technical-economical standard, quality, and prompt delivery of products.

We are undertaking this reform to create an economic environment that would analyze the ecnomic performance of enterprises, compare it with advanced world standards, and find out who has been achieving better than average results and who is lagging behind these measures. [paragraph continues]

Purposeful and professional work to speeding up scientific-technical progress and introduce new findings into production practice will make itself felt in these conditions. In this way we place scientific-technical progress quite unequivocally at the center of the economic sphere's attention. It is becoming the main driving force of effective development.

The normative rules also determine the basic and obligatory proportions of the distribution of economic results between society and the enterprise. At the same time, within organizations the rules will regulate the allocation of their own resources for wages, investments, and the cultural and social needs of the enterprise. In the interest of stability the creation and utilizaion of funds -- especially the development, wage, and foreign currency funds, the fund for social and cultural needs, and the reserve fund -- will depend on the results of management.

If we are aware of how complicated it will be to implement the longer-term validity of normative rules, implementing the principle of uniformity will be even more complicated and delicate due to the present practice of dividing resources according to individually and often subjectively set indicators which according to differentiated, short-term normative rules is diametrically opposed to this requirement. The uniformity of normative rules is, in fact, the fundamental prerequisite for being able to compare results among individual organizations, to measure their effectiveness more accurately, and, on that basis, to allocate the society's resources more effectively to those places where one can expect the highest national economic returns. It is also a prerequisite for achieving the desirable differentiation in remunerating individuals and work collectives according to actual work results. Naturally, this will not come about automatically. Here it will be necessary to exert great political and organizational efforts to overcome the atmosphere of egalitarianism, created over a long time, and enforce remuneration based on actual contributions.

Also very important is the implementation of longer-term normative rules in relations between enterprises and the center, enabling us to end undesirable litigation practices with respect to the plan tasks and to the persistent demands for investment, wages, hard currency, grants, and so forth without offering proper countervaiues.

In short, by means of uniform rates of normative rules we wish to gradually generate a more objective and comparable basis for all organizations to be able to operate more reliably, to distribute and remunerate more equitably, and thus also to provide incentives more effectively.

The new economic mechanism will introduce a new criterion into our system of remuneration. This is the contribution by each enterprise to the creation of national income, thereby increasing society's wealth.

We will continue to perfect the tested forms and tools of the socialist state's wage policy, such as the system of wage rates or the brigade method of organizing labor and remuneration, but the completely new feature in remuneration, which must logically ensue from the new economic mechanism's correct functioning, is the vital dependence of incentive wages on the net income which the enterprise generates. So far we have lacked such a clear criterion in our economic practice. The payment of bonuses, special rewards, or profit shares depended on the fulfillment of all kinds of individually set indicators that were sometimes changed at the last moment. This ultimately resulted in a lack of interest in the organization's optimum performance and in payment levelling.

On the other hand, uniform criteria and uniform economic conditions will create the desirable objective differentiation of enterprises' revenues and, within that framework, of average wages. [paragraph continues]

As to wages, everybody must believe, with varying impact depending on the level of responsibility, whether enterprises are profitable or, on the contrary, whether society must subsidize it.

Such an approach to remuneration should become the starting point for deepening working people's actual participation in management.

I have stressed the importance of having uniform criteria and uniform rates of normative rules.

However, having uniform criteria and rates of normative rules does not completely rule out differentiated approaches to the management of branches or organizations. These approaches will be applied, above all, if it proves necessary to give support to or to phase out production programs in the interest of structural changes. In the event of national economic priorities, these programs will be established as direct tasks of the state plan and, if inevitable, will get support in the form of financial allocations from the state budget. These deviations from uniform criteria will thus be purpose-linked and of limited duration, from which it follows that we will gradually abolish all existing benefits and exemptions that hinder inefficiency.

The application of full khozraschet will thus extend to intra-enterprise management and organization as well. The conditions for this must be so exacting that if an enterprise fails to establish internal order in relations between its plants and departments, in norms, and so forth, it should not have any resources for the enterprise's development or for material incentives.

That is why we regard it as essential that organizations should expeditiously examine the reasonableness of existing intra-enterprise structures, of the existing delineation of responsibilities, and, in general, of all norms, directives, and regulations by which the activity of their individual subdivisions is guided. Proceeding from this basis, it will then be necessary to improve the effectiveness of economic instruments, such as budgets, cost estimates, intra-enterprise prices, and the like. The goal should be to base the organization of production in the enterprise on a transparent and comprehensible economic system providing continuous information on the economic situation of each section, whether it is profitable or whether it operates at a loss. It always held true, and it continues to hold true, that the koruna must be at the heart of all economic considerations.

We are not starting with a blank sheet. We have many examples of successful intra-enterprise management and organizations that practice effective khozraschet. We should build on this experience, including experience from the past, and perfect and disseminate this experience.

Among the characteristic features of the restructuring of the economic mechanism is, undoubtedly, a substantial enhancement of working people's participation in management on the basis of an expansion of self-administrative elements. A great deal will need to be changed compared with the present state of affairs -- if for no other reason than the much greater extent of legal powers and responsibilities of enterprises, and because of the application of full khozraschet. Khozraschet will substantially expand the range of issues that it is not only possible, but also necessary, to solve with the participation of work collectives. It is apparent that they will not only be asked to express their view but that, undoubtedly, there will be an increase in the number of matters on which they will co-decide.

This will undoubtedly find its positive reflection in being a great spur to people's activity and initiative, to their interest in the workings of the plant in which they work, and to their approach to the problems that must be tackled and resolved. [paragrapch continues]

Naturally, the flip side of the right to decide on certain issues with final validity is also the responsibility that the work collective will bear for its decisions.

In addition to the specific, practical contribution of this democratic practice of participation in management, we must also realize its benefit, which is no less valuable. People will far more rapidly acquire the feeling of being the true masters of common property, they will overcome certain elements of alienation from social ownership, and their thinking and awareness will change at a faster pace.

In a way, we are also faced with the emergence of a new situation in the relationship between managerial personnel and the work collectives. This will require, inter alia, that we pay constant attention to the contents and quality of information that is supplied to the working people. This is understandable because, if people are to be given a greater opportunity to voice their views on matters concerning their workplace or their plant, and even to co-decide on some of them, then they must be well-informed and aware of all relevant developments in their plant.

Bearing all these viewpoints in mind, it will be necessary not only to improve the current forms of working people's participation in management, but also to seek new forms, forms that will better correspond to the new conditions produced by the restructuring of the economic mechanism.

These issues are currently the subject of study and discussion, particularly in connection with preparations for the 11th All-Trade Union Congress.

We are convinced that our trade unionists will address these weighty issues and, by means of their ideas and suggestions, will contribute to their successful solution.

Comrades, in the efforts of the fraternal socialist countries to bring about acceleration and to switch their economies onto the path of intensive development, substantial changes in their mutual economic cooperation are of equal importance and urgency.

We therefore back with all due vigor the conclusions adopted at the last meeting of the highest representatives of CEMA member-states. The meeting stressed the necessity of further reinforcing interaction among the fraternal countries, optimizing the division of labor within our community, and continuously implementing the "Program of Scientific-Technical Cooperation of CEMA Member-States Through the Year 2000," the most important joint project of a literally strategic nature.

A completely new situation is emerging. Here, too, the main issue is a fundamental restructuring of the conditions and prerequisites of the socialist economic integration -- the restructuring of the international mechanism of integration. It is definitely no longer enough merely to strive to increase the volume of mutually exchanged goods and to promote traditional forms of cooperation. On the agenda of the day is an all-round and direct interaction of member-states and their organizations in all areas, particularly in science and technology, in the division of production programs, and in setting up long-term ties of specialization and cooperation.

Restructuring the mechanism of integration must therefore also be approached comprehensively. It must comprise the improvement of joint planning activity, a novel perception of the coordination of plans, as well as a distinct reinforcement of the role of value instruments.

The first and foremost task will be to develop the international currency mechanism to make the collective currency play an active role and to ensure its multilateral transferability and, subsequently, also its necessary and convertibility. Hand in hand with this, it is necessary to establish prerequisites in the convertibility of the CEMA member-states' national currencies, in the integral linkage between domestic, contract, and world prices, and in the reinforcement of the economic function of credits and interest rates.

This also includes, naturally, the choice of such organizational forms and of such an independence of economic organizations as will permit and encourage the development of direct ties; scientific-technical, manufacturing, and commercial cooperation; joint investment; and the setting up of joint ventures. Solving the problems of money-market balance and proportionality, not only within our economy but also within the framework of mutual economic relations, requires that we devote far greater attention to these issues. The goal in mutual trade must be to do away with the disproportionate extent of quotas and allocations, in absolute terms or in kind, and with hard-to-get items [deficitni polozky]. These not only hamper the coordination of plans but, in the final analysis, also impede the development of all forms of mutual economic cooperation and of direct ties between organizations in particular.

That is why it is in our interest that everything be done within our economy in concord with the CEMA member-states' mechanism of integration -- in planning, in the systems of resources and allocations, in the value instruments of management, and in organizational forms -- that will result in intensive socialist integration and in the step-by-step establishment of a genuinely common socialist market.

The Changes Encompass a Broad Range of Sectors [subhead]

Comrades, changes in the overall system of management affect all branches of the economy, including, to the appropriate degree, the nonproduction sphere.

Within this sphere they also affect the work of domestic trade and service organizations, because personal consumption is an important motivation factor of the entire socialist expanded reproduction and of the attitude of working people to production and to the growth of labor productivity.

Trade must function as the guarantor of consumers' interests and, at the same time, as an active factor affecting the creation of demand. It is definitely not enough for trade to offer or even only distribute -- which is, unfortunately, sometimes the case -- what it receives from manufacturers. Even the fulfillment of the plan for retail trade turnover is by no means proof of satisfying consumers' demands when there are shortcomings in the structure and quality of the goods offered. We regard it as necessary to adopt soon, in the spirit of the Principles, measures that will reinforce the position of the consumer vis-a-vis trade, as well as the position of trade vis-a-vis producers and importers.

It is high time to put an end to the mutual shifting of responsibility between manufacturers and trade for imperfectly satisfying the needs of the market, to demarcate everyone's responsibilities, to cut short the path of merchandise from production to consumer, and to switch to relations between manufacturers, trade, and consumers that are based on the principles of the economy. This requirement was put forward by the Fourth Session of the CPCZ Central Committee in the report presented there by Comrade Gustav Husak, general secretary of the CPCZ Central Committee, who said: "It is necessary to speedily submit proposals that will make relations between trade and production substantially more flexible, remove unnecessary intermediaries, and lead to faster deliveries of sought-after products to the domestic market."

Here there is no need to wait for the economic reform on hand to be completely itemized. We require that the relevant ministries should put forward corresponding proposals for systematic and substantive measures that will effectively stimulate producers and trade in the interest of improved consumer satisfaction.

This also applies to the system of management in public catering. So far, the ministries of trade and the relevant national committees have had nothing to be proud of. It would be paradoxical if the consumer and the state were both to suffer from the state of affairs that exists here. It is necessary to prevent public catering organizations from being inefficient, unprofitable, and, in the bargain, a source of discontent. Existing bad practices were criticized as early as at the Sixth Session of the CPCZ Central Committee in April 1982. We see a solution to this, inter alia, in making sure that, wherever possible, use is made of the organizational independence and economic self-sufficiency of operational units. For example, renting out premises under lease, and other forms of activity that guarantee the personal income of the staff will be measurable and directly dependent on the degree to which they satisfy people's needs.

Much has improved in the area of paid services in the wake of the Sixth Session of the CPCZ Central Committee. There are now more tradesmen and more facilities serving the people. But even here we still have far to go to achieve complete satisfaction. We cannot stop halfway in implementing the principles of more effective management and a more flexible provision of services just because they have run up against a barrier of regulations or departmental or local interests. Findings yielded by the ongoing regional experiments designed to further simplify the management of services, which already contain many of the elements of the Principles, must be speedily applied on a nationwide scale. Here there is broad scope for the activity of national committees and the associations of production cooperatives of both republics.

I have mentioned these particular branches because their results are daily and directly confronted with the needs of the public. This does not mean, however, that other branches and areas of activity ought to be less demanding in itemizing the Principles for their own conditions.

After all, in a short time their degree of efficiency must also reach a higher level. Let us take the building trade as an example. It is characteristic that in the last few years it has, on the whole, been fulfilling the designated financial indicators. The growth of labor productivity and wages also has been in keeping with the plan, sometimes even faster. Yet the quality of fulfillment of practical tasks does not tally with this. It is apparent that the existing system of management in this branch, which is content with the fulfillment of volume indicators, is not sufficiently exacting. All participants in capital construction must undergo the test of economic exactingness, not only the building trade and the suppliers of equipment, but also the entire area of project and investment planning.

Restructuring will not spare transportation and all its constituent parts either. The specific nature of the conditions under which the transport sector operates must be respected, but not at the expense of the simplicity of the regulations of the economic mechanism. Finally, the same thing also applies to agriculture. A great deal has been done in recent years from the viewpoint of the system of management and, above all, from the viewpoint of support for and consideration of production conditions. Nevertheless, it must be noted that some central agencies and, notably, regional and district agricultural administrations have again found ways and methods of circumventing the requirements of the approved system of management in agriculture, carrying on the practice of bossing about the production units in petty ways, and extending the life of index-based administrative management.

There Can Be No Room for Stereotypes [subhead]

Comrades, the approved Principles are a document delineating the most important areas of change in the system of management, that is, those changes that should determine the profile of the economic mechanism. I stress that these changes represent an organic entity. This is how they must be perceived -- broken down, and implemented within the unity of their substantive, systemic, and legislative provisions. It is impermissible to pick out from among them whatever will be easier, popular, or less conflict-ridden. We know very well from the past that this would lead to a system of management that would be incapable of ushering in a genuine turn toward the economy's intensification.

At the same time, it follows from the nature of the Principles that they contain only the basic and thus absolutely essential directions of developing the economic mechanism. That is why we have already started working on their specification, a specification from all points of view and for all areas of the economy. We pay special attention to questions concerning the management of external economic relations and the creation of conditions for restructuring the mechanism of the CEMA member-states' integration.

The task to force the Principles into a comprehensive document that would also comprise guidelines for necessary amendments to legislative norms and methodological instructions for the spheres of planning and financing must be completed by the end of the year. The CPCZ Central Committee Presidium and the Federal Government will, in the very near future, determine a binding schedule and course of political and organizational action. We will proceed, above all, from two requirements.

First, the whole system of changes contained in the Principles must be worked out so as to comprehensively influence the work of the center and of enterprises in drafting the Ninth 5-Year Plan. We demand that, in keeping with the approved Principles, the following materials be worked out in the near future: the strategy of accelerating socioeconomic development, a long-term outlook, state development programs of participation in the international division of labor and in socialist economic integration, as well as programs for reinforcing economic balance and concepts of currency, fiscal, price, and wage policy.

Our second point of departure is that the gradual implementation of designated elements of the Principles must start before the end of this year. We stress the requirement that it should contribute distinctly and as early as possible to meeting the targets and tasks of the Eighth 5 Year Plan.

It is evident from what has been said here that we do not intend to wait for everything to be clarified and worked out in detail, as the economic mechanism is something live and in a process of permanent change. The gist of the specific form of a number of changes is undisputed even today and these changes can be implemented regardless of the application of the other elements from the set of elements contained in the Principles.

Above all, we intend to gradually switch enterprises and economic production units to a system of management that would respect, to the greatest possible degree,, the new conditions. This will concern mainly organizations that have prerequisites for this transition in terms of clear programs of substantive and organizational development, organizations that will know how to handle their higher degree of independence. The experimental embarkation on new conditions will definitely not be an occasion for making the plans less strict. However, it must provide more reliable guarantees and greater incentives for the organizations involved and, above all, it must be more beneficial for those who will achieve greater efficiency than is laid down for them in the Eighth 5-Year Plan.

We have approved principles for the introduction of an experiment. For the time being it comprises, I am sorry to say, only two economic production units. However, the initial experience already suggests how difficult it will be to translate the new ideas into practical life, given the conduct of some staff of central agencies who shackle the new principles into old regulations.

We will not tolerate such practices. The CPCZ Central Committee Presidium and the government are determined to continue these experiments and to further expand the number of experimenting organizations, effective as early as 1 April and 1 July.

We appeal to you, comrade directors, to take part in the experiment and demonstrate the advantageousness of the changes in the economic mechanism.

With regard to the further process of itemizing and implementing the Principles we see, of course, a number of key issues, the solution of which will be crucial for the successful course of restructuring in the years to come. What I have in mind is, above all, the generation of conditions that would stimulate the interest of organizations in assuming progressive tasks in their plans, the preparation of a law on the enterprise, and the timely start of work on gradually streamlining organizational structures throughout the national economy. This will definitely not be a on-off campaign, but a comprehensively prepared and carefully thought-out gradual process.

The most complicated problem, the solution of which depends on the introduction of uniform criteria and normative rules, the reliability of managing structural changes, and the introduction of full khozraschet, is the comprehensive rebuilding of wholesale and procurement prices as laid down in the approved Principles.

You are aware that a year ago we approved the targets of the rebuilding of wholesale prices for most industrial branches and for the construction sector. We were responding to the decrease in the prices of imported raw materials, as well as to the necessity of reducing internal production costs and bringing our prices closer to world prices.

However, the "Principles for Restructuring the Economic Mechanism" require that wholesale prices also reflect more faithfully social expenditures on education, health care, and social provisions for each employee. On the one hand, this would make the price ratios between individual branches and sectors substantially more realistic, while such prices would more effectively encourage the replacement of human labor by new technology. We intend to clarify this open issue in the near future.

Mastering the economy's transition to the new conditions will undeniably be the most difficult matter that we face. The fact is that it is impossible to calculate, to predict and react to everything in advance. It is equally impossible to change from one day to another the way people behave or to daily establish equitable conditions essential for the application of uniform normative rules and remittances where these conditions simply do not exist, owing to long-term economic policy. Therefore, there can be no doubt that in this period of transition in particular, we will not get by without temporary measures, corrections of our mistakes, the willingness to overcome difficulties, and some patience.

Comrades, it has been said many times that the economy is the main battlefield on which the future of socialism will be decided. This saying is more valid today than at any time in the past. [paragraph continues]

If our struggle is to be successful we must not only change the methods and tools with which we wage it, but also the thinking, attitudes, and psychology of those who are involved in this process.

It has never been easy to change given and unsatisfactory state of affairs. There are always people who are afraid of change and use all kinds of masks to disguise this fear, even though all they hide is the simple fear of not keeping pace with all developments and finding their positions in jeopardy.

"Let us not try to solve new tasks with old methods, as this would lead nowhere," V.I. Lenin once said. The realization that everything that prevents us from more quickly moving forward is undermining our joint endeavor must enter everyone's bloodstream. Just as a man who suffers from vertigo cannot work at great heights, so an economist or manager who is afraid of rejecting all that is outdated and who marches in place is of little use. This can, in fact, be said of everyone whose mind still dwells on the past and who would like to live off former merits. Such people must be quickly and, if necessary, roughly brought to reality.

The main prerequisite is the all-round preparedness of all ranking managerial personnel at all levels of management and their profound knowledge of the gist and the connections of the reform. We must not allow -- we cannot afford to allow -- the effect of measures that so markedly affect the fundamental interests of society and every individual to be weakened by lack of interest or the failure to grasp their importance, meaning, and goals.

The stereotypes of management practice, unchanged for many years, have naturally left their mark on the thought patterns of ranking personnel. Many see the need for fundamental changes everywhere, apart from the sectors they themselves supervise. Others agree there is a need for change, but they do so in a purely formal way and in reality impede their preparation.

The realization of the economic mechanism's restructuring is a task that does not tolerate halfhearted or opportunistic approaches. If this applies generally, then it applies doubly when it concerns leading cadres. The higher their rank and responsibility, the more the times require them to grasp the gist of the ongoing changes, assimilate new principles of management, and begin to implement them in practical life. Verbal endorsement is not enough. It is necessary to act.

Everyone will be given his opportunity. It will then be up to the collectives of working people and party and trade union organizations to judge, on the basis of actual results, how persons seized and use this opportunity. We do not need champions in rhetorics who only parrot approved resolutions. Only those who translate decisions directly into life and defend the interests of our society and every work collective in their sector of responsibility or organization they supervise are of value.

The task of restructuring the style of work applies to everyone, to workers as well as foremen. However, it is not a simple and easy matter.

Yet it is absolutely essential that we change the thinking and thereby the approaches of the decisive part of our public and that we do so at all levels, because tasks that are completely new cannot be mastered using old approaches.

This will place new and formidable demands on, above all, the ranking cadres and will thoroughly test their capabilities. Professionalism and a sense of belonging to our socialist society are self-evident demands and conditions. [paragraph continues]

But they are not enough on their own because, apart from this, it is also necessary to know how to manage. Management is a profession that can be mastered only by someone who has a talent for managerial work, the necessary efficiency, and the ability to guide and educate, to think comprehensively and conceptually, and to look critically at his own work. Equally needed are flexibility, rapid orientation, the art of identifying the core of a problem, the readiness to assume responsibility, and the willingness and courage to undergo healthy risks.

Only an energetic and talented person can hold his own at a leading post. He must know not only every workplace in his enterprise but, above all, the people working there. Those directors who always find time to meet the people, whose life is literally tied to their factory, must serve as an example. It is not without reason that we refer to the ranking personnel in industry, trade, and other branches as the captains of the national economy. It is they who determine how the sector entrusted to them will reach its set destination.

A seasoned supervisor knows that he must enlist the people and awaken their interest and initiative.

Many a current director will have to get used to making every decision of principle in agreement with the work collectives and to respecting the growth of the importance of these collectives, and their greater powers and influence on the operations of the enterprise, under the new conditions. That is why he must adapt his managerial work to really attract the working people to participate in management and decisionmaking.

In a direct relationship with the conditions and results of work and with performance, fundamentally new demands are being placed on the independence, responsibility, and initiative of collectives and individuals and on their creativity, good organization, and discipline. Joint assessment, workers' participation, and all-encompassing control are assuming greater importance. This is, undoubtedly, an important contribution to the general activation of people's attitude toward life. We therefore expect the restructuring of management to have also a great educational impact.

We are faced with the task of pondering and working out, in keeping with the Principles, forms of democratic participation by work collectives in decision making. The new mechanism of management will also require a reexamination of existing forms of competition and of the contents of social programs as well as the promotion of working people's initiative free of formalism.

By all of this, restructuring opens up broad scope for political, ideo-educational, and organizational work. Under the guidance of agencies and organizations of the Communist Party, and with Communists setting a personal example, the decisive battle must be fought out at every place of work for people's minds and productive activity.

We expect organizations of the Revolutionary Trade Union Movement, the Socialist Youth Union, and other parts of the National Front to play a major role in this process alongside Communists.

We have grown accustomed to enterprise managements and their directors rendering accounts of their work, first and foremost, to their overseeing agencies. It is they who evaluate the successes and failures of an enterprise. One of the outcomes of the practical application of the approved Principles will undoubtedly be that it will be the collective of the working people itself, as the bearer of consequences for all the good or bad decisions of the economic management, that will become the first and very demanding critic.

Let us not forget that ranking cadres are daily under the relentless magnifying glass of the public and public opinion and that people tend to be much harsher in their judgments about them than they are in their judgments about themselves. This is, aside from other considerations, due to the fact that they seek and want to see in their conduct and activity a model for themselves and demand that their deeds be consistent with what they preach.

Such is life and everyone must take this into account. If the party considers a healthy moral atmosphere to be one of the essential prerequisites for meeting our targets, including those in the management of the economy, it is obvious that it must strictly demand a clean moral profile, especially from ranking cadres.

Let us recall, in this connection, the recently publicized results of a check on plan fulfillment and economic performance reports. How is it possible that leading posts are held, and often not briefly, by people who, in contravention of socialist legality and the principles of socialist ethics, distort and literally falsify data on plan fulfillment and on economic results, in an attempt to gain society's appreciation and, above all, undeserved financial benefits? What happened to their party and social responsibility and to the responsibility of those officials who tolerated such practices?

We have, after all, only one morality, one discipline, and one set of laws, which must apply to everyone without exception, regardless of who he is and what rank he holds.

It is said that a good supervisor can be recognized according to the selection of his closest collaborators. I think that our managers should have greater influence on their selection. This is part of enhancing personal responsibility. This should also help remove one weak spot in the area of management --the lacking preparedness of new cadres for leading posts.

Capable people with a talent for management must be sought and given a chance to undergo professional training for this sort of work. For the time being, we verbally acknowledge the need to bring up reserve cadres, but the real state of affairs is not very satisfactory. It happens that energetic, healthily ambitious, demanding, and industrious people are more likely to be pushed to the background than to be entrusted with challenging tasks. Party agencies and party organizations bear a great deal of responsibility for preventing even the smallest sign of formalism from infiltrating cadre work. With the passing of time, underestimating the importance of work with prospective cadres finally comes to light as a serious political mistake and damage to the economy.

These times require people who are capable of giving their best to the economy and society. Such people will always enjoy our full political support. We want all those leading cadres of today who have the requisite talents and corresponding qualities to make use of them to enforce objectively necessary changes in the national economy and its management. I would like to unambiguously declare that we intend to carry out the entire process of restructuring in close contact and active collaboration with you. This presupposes mutual and full trust, a profoundly democratic approach, and a complete candidness and critical approach in mutual relations.

This provides an opportunity for everyone to show at his place who he is, what he is like, what his real level of awareness is, what his actual abilities are, and how efficient he really is. We will not use words and declarations of faith as the yardstick, but only deeds and their outcome.

Comrades, we have entered an exceptionally important period, a period that was ushered in by the 17th CPCZ Congress with its decisions. The Central Committee of our party, the Federal Government, and the Central Trade Union Council are confident that you all, as our eminent political and economic aktiv, will do everything you can for the targets and aims of restructuring the entire system of management to become the source of a new current of broad activity and initiative of our working people, and for an energetic and consistent fulfillment of these targets through joint endeavor, in the interest of the prosperity of our beautiful homeland, the CSSR.

FURTHER REPORTAGE ON SHEVARDNADZE VISIT

Meets With Strougal

LD051926 Prague CTK in English 1832 GMT 5 Feb 87

[Text] Prague Feb 5 (CTK) -- Czechoslovak Premier Lubomir Strougal received Soviet Foreign Minister Eduard Shevardnadze today to discuss a broad range of issues.

During the meeting, which took place in cordial and comradely atmosphere, Lubomir Strougal acquainted the guest with the implementation of the directives of the 17th Czechoslovak Communist Party Congress for speeding up the social and economic development of Czechoslovakia and democratization of social life. He dealt in detail especially with intentions concerning the intensification of the Czechoslovak national economy.

Eduard Shevardnadze informed the premier about the great efforts of Soviet communists and all working people to fulfill resolutions of the 27th Soviet Communist Party Congress, and about the current restructuring in all spheres of life.

Both officials highly appreciated Czechoslovak-Soviet cooperation in many spheres and stressed the need to raise its effectiveness. They voiced the conviction that the promotion of bilateral relations will help speed up the socio-economic development in both countries and increase the living standard of their people.

Exchanging views on the main international issues, Lubomir Strougal and Eduard Shevardnadze stressed that the real alternative to the arms race policy are the peace initiatives of the Soviet Union and other socialist countries to rid mankind of the nuclear threat, create an all-embracing system of international security, activate peace forces, and improve the political climate in Europe.

Departs for Home

LD051942 Prague CTK in English 1843 GMT 5 Feb 87

[Text] Prague Feb 5 (CTK) -- Soviet Foreign Minister Eduard Shevardnadze today ended his official friendly visit to Czechoslovakia, at the invitation of the Czechoslovak Government, and left here for home.

The Soviet guest was seen off at Prague airport by Czechoslovak Foreign Minister Bohuslav Chnoupek and other officials.

CHNOUPEK RECEIVES LPDR DEPUTY MINISTER

AU231801 Prague RUDE PRAVO in Czech 21 Jan 87 p 2

[Text] Bohuslav Chnoupek, CSSR minister of foreign affairs, received on Tuesday [20 January] in Prague Soulivong Phasithideth, deputy minister of foreign affairs of the Lao People's Democratic Republic (LPDR). In a cordial, comradely talk they found that the development of bilateral contacts is positive and appraised certain issues of international policy connected with the socialist countries' endeavor to establish a system of international security and peace.

BRIEFS

AUSTRIAN AMBASSADOR ENDS MISSION -- Paul Ullmann, Austrian ambassador to the CSSR, has ended his tour of duty in the CSSR and departed for good. [Summary] [Prague RUDE PRAVO in Czech 31 Jan 87 p 2 AU]

RAILROAD WORKERS' TU CHAIRMAN -- The Slovak conference of the Railroad Workers Trade Union, held on 29 January in Trencianske Teplice, elected Jan Gondol chairman of the Slovak trade union. [Summary] [Bratislava PRAVDA in Slovak 30 Jan 87 p 2 AU]

EUROPEAN ECUMENICAL SESSION -- Prague (CTK) -- The Ecumenical Association of Academies and Conference Centers in Europe held a session in Prague [date not given] at the invitation of the Ecumenical Council of Churches in the CSSR. The session of the association, which rallies 80 Protestant, Catholic, and Orthodox academies from 14 European countries, adopted a document expressing the conviction that the USSR's proposals on disarmament and its unilateral renunciation of nuclear tests urgently demand the West's constructive reply, since the hope of reaching specific steps for disarmament must not be relinquished. The session fully supported the demands for security in Europe and the process of international detente, resolutely opposed feverish armament, and resolutely supported peaceful international relations. [Summary] [Bratislava PRAVDA in Slovak 28 Jan 87 p 2 AU]

VATICAN NUNCIO VISITS -- Archbishop Francesco Colasuonno, apostolic nuncio on special mission, paid a visit to the CSSR recently. During his stay, he conducted talks with Vladimir Janku, director of the CSSR Government's Secretariat for Church Affairs, and met with Miroslav Valek, Slovak minister of culture. He also met with "all" Roman Catholic bishops, ordinaries, and deans of Czech and Slovak faculties of divinity. At the close of his visit, Colasuonno was received by CSSR Deputy Premier Matej Lucan. [Summary] [Prague RUDE PRAVO in Czech 27 Jan 87 p 2 AU]

HONECKER DECORATES RETIRING GENERAL WOLF

LD051559 East Berlin ADN International Service in German 1245 GMT 5 Feb 87

[Text] Berlin, 5 Feb (ADN) -- To mark the forthcoming 37th anniversary of the establishment of the Ministry for State Security, Erich Honecker, general secretary of the SED Central Committee, chairman of the GDR State Council, and chairman of the GDR National Defense Council, promoted meritorious generals and colonels of the Ministry for State Security and appointed major generals.

Col Gen Markus Wolf, who is retiring from active service at the Ministry for State Security at his own request, was accorded thanks and recognition for his great services and awarded the Karl Marx order.

Present were Politburo members of the SED Central Committee Egon Krenz, Central Committee secretary; Army General Erich Mielke, minister of state security; and Wolfgang Herger, head of the security questions department of the SED Central Committee.

Wolf Reported 'Seriously Ill'

LD052228 Hamburg DPA in German 2123 GMT 5 Feb 87

[Text] [No dateline as received] -- It was learned from Bonn security sources this evening that Markus Wolf has retired for health reasons. A reliable source said that Wolf is seriously ill.

KRENZ PRESENTS AWARDS TO SECURITY MINISTRY

LD052243 East Berlin ADN International Service in German 1436 GMT 5 Feb 87

[Text] Berlin, 5 Feb (ADN) -- To mark the 37th anniversary of the creation of the GDR Ministry of State Security, the chairman of the GDR State Council conferred high state awards on meritorious members of the ministry. At the initiation of the SED Central Committee's Politburo and the GDR Council of Ministers Presidium, he paid tribute to their outstanding achievements in protecting socialism and peace with the "Star of International Friendship: order, the clasp of honor to the Patriotic Order of Merit in gold, the Patriotic Order of Merit, and the "Banner of Labor" order.

On behalf of Erich Honecker, general secretary of the SED Central Committee and chairman of the GDR State Council and national defense council, Egon Krenz, deputy State Council chairman, Politburo members, and secretary of the SED Central Committee, presented the awards on Thursday.

At a festive ceremony in the State Council Building, he expressed the party and state leadership's thanks to those receiving the awards and all members of the Ministry of State Security for their responsible work. [paragraph continues]

"In all that we do, we are guided by the spirit of socialism to work for the people's well-being and happiness," stressed Egon Krenz. The results of this policy have now proven for more than 1 and 1/2 decades how the eighth party congress's policy is deeply rooted in the people and is being implemented with consistency and continuity. The GDR's stable and dynamic development takes place on the foundation of the secure power of the working class and all workers.

The decisions of the 11th party congress are being implemented everywhere in a broad, mass initiative in a relationship of close trust between the party and people, said Egon Krenz. This is also demonstrated by the great achievements in the struggle against the rigors of the winter weather, in which members of the National People's Army, the Interior Ministry, and the Ministry of State Security are proving themselves in exemplary fashion working alongside comrades in open-cast mines and other areas of the economy. This shared will and readiness to strengthen the GDR on an all-round basis is also rooted in the experience of all workers that in our policy, actions match words, stressed Egon Krenz.

Present at the award ceremony were Politburo members of the SED Central Committee Horst Dohlus, Central Committee Secretary; Werner Krolikowski, first deputy chairman of the Council of Ministers; Army General Erich Mielke, minister of state security; SED Central Committee members Major General Horst Felber and Wolfgang Herger; Heinz Eichler, director of the Central Committee Department for Security and State Council Secretary; and other dignitaries.

HONECKER RECEIVES GUYANA, BANGLADESH ENVOYS

LD302144 East Berlin Voice of GDR Domestic Service in German 1500 GMT 30 Jan 87

[Text] In the course of the day, Erich Honecker received the ambassadors of Guyana and Bangladesh. They presented their credentials.

HONECKER SENDS CONDOLENCE TELEGRAM TO SFRY

AU052006 East Berlin NEUES DEUTSCHLAND in German 4 Feb 87 p 1

[Text] East Berlin (ND) -- Erich Honecker, general secretary of the SED Central Committee and chairman of the GDR State Council, sent the following telegram to SFRY Presidium Chairman Sinan Hasani:

Esteemed Comrade Hasani:

On the occasion of the grave bus accident near Doljevac, I convey to you as well as to the relatives of the victims my heartfelt sympathy on behalf of the party, the state leadership, and the people of the GDR.

Erich Honecker
General secretary of the SED Central Committee and chairman of the GDR State Council.

DEFENSE MINISTER GREETS LAO ARMY ANNIVERSARY

BK030529 Vientiane Domestic Service in Lao 0430 GMT 1 Feb 87

[Greetings message from General Heinz Kessler, GDR national defense minister, to General Khamtai Siphandon, Lao People's Democratic Republic national defense minister -- date not given]

[Text] On the occasion of the 38th anniversary of the Lao People's Army, on behalf of those attached to National People's Army of the GDR I extend wholehearted congratulations and fraternal, militant salutations to you.

We have followed the persistent efforts of the fraternal Lao people, our comrades in arms sharing the same class, in persistently heightening their combat forces and combat readiness for national defense and for ensuring socialist construction in your country.

On this glorious day of honor, I guarantee our fraternal relationship and would like to assure you that the friendship and militant solidarity between our armies will continue to be further strengthened and developed.

Respected comrade minister, I wish you greater success in your responsible tasks and good health, creative strength, and happiness.

LEBANON'S KARAMI THANKS BECKER FOR SUPPORT

LD022334 East Berlin ADN International Service in German 1814 GMT 5 Feb 87

[Text] Beirut, 5 Feb (ADN) -- Lebanese Prime Minister Rashid Karami has paid tribute to the GDR's consistent policy of supporting the Arab states and solving the Middle East problem as once again affirmed by Erich Honecker in his interview with the paper AL-NAHAR. In a talk on Thursday with member of the SED Central Committee Achim Becker, Karami expressed gratitude for the GDR's solidarity with the Arab countries in their struggle for a just and lasting solution in the Middle East.

During the meeting agreement was noted between the two states on all fundamental international questions and in the assessment of the good bilateral relations.

Karami spoke in favor of the Soviet disarmament proposals and continuing the process begun in Reykjavik. He condemned the U.S. Fleets concentration in the Eastern Mediterranean and Washington desire to realize its goals of hegemony in the region, flouting the legitimate rights of the Lebanese people and those of other Arab peoples. Israel wanted to frustrate a solution in the country by permanently interfering in the internal affairs of Lebanon, he stated. Karami stressed that Lebanon supported an international conference on the Middle East with the participation of the permanent members of the UN Security Council and all concerned Arab parties.

ECONOMIC DEVELOPMENT RESULTS FOR 1986 REPORTED

AU030601 Budapest NEPSZABADSAG in Hungarian 31 Jan 87 pp 1-2

[Central Statistical Office report: "Report on the 1986 Economic and Social Development"]

[Text] In 1986, production increased at a lesser, and domestic consumption increased at a greater extent than planned. The volume of gross domestic product covering the performances of the material and nonmaterial economic sectors, based on preliminary and partially evaluated data, was about 1 percent higher than in 1985, and the national income covering the net performance of the material sectors increased by about 0.5 percent and reached close to 880 billion forints. None of the main production sectors -- industry, building industry, and agriculture -- attained the planned rate of production growth. Exports were slightly behind the figures for 1985 while imports increased, and there was a considerable deterioration in the terms of trade. The foreign trade balance showed a deficit. The national income corrected by the deterioration in the terms of trade was lower than in the previous year. The import surplus in the foreign trade was slightly reduced by the positive balance showed by the tourism sector and the services. The stock of convertible currency debts increased and that accounted in rubles decreased in accordance with the international agreements. The foreign economic and financial balance deteriorated.

The volume of domestic utilization of the national income increased by about 3 percent, and its value was higher than production and stood at 895 billion forints. Both consumption and accumulation exceeded the figures for 1985 and the figures stipulated in the plan.

Among the factors determining the accumulation, the sums allocated by the people's economy for investments amounted to 258 billion forints, a sum that represents a 7 percent increase in current prices. That also exceeds the 1985 figures also in comparable prices. Some 123 billion forints were allocated on enterprises investments, 9 percent more than in the previous year. The increase was much higher than the one stipulated in the plan. The amount paid out for central investments was lower, and that paid on councils' investments was higher than in 1985. There was a considerable increase in the population and private sector investments which stood at some 54 billion forints. Within the investments of the socialist organs, a more considerable increase was in the purchase of import machine accounted in currencies other than the ruble and in the purchase of domestically manufactured machines. The investment projects in operation increased somewhat faster than the financial fulfillment of these investments, and the stock of unfinished investments increased at a rate similar to that of the previous year. There was an increase in the stock of fixed assets of the people's economy, with these assets increasing in the material sectors at a slightly higher rate than production.

The number of active wage earners increased by 28,000 people, or 0.6 percent, and stood at 4,865,000 at the end of 1986; 1.3 percent fewer people were employed in the material sectors and about 2 percent more people were employed in the nonmaterial sectors compared to the year before. Productivity increased by close to 2 percent.

Material consumption made up some two-thirds of the production of material sectors in 1986. This proportion is essentially identical with that of 1985. The energy consumption of the people's economy decreased in both the material sectors and the population and community spheres, by a total of 0.4 percent. In the material sectors, the energy consumption per unit of gross production was 1.5 percent less than in 1985. Within the energy resources -- as a result of increased coal and natural gas imports -- the proportion of imports slightly increased and exceeded half of the entire energy resources.

Enterprise decentralization continued in the course of the year and the system of enterprise organization and management also increased. Switching over to new forms of management was carried out at almost 75 percent of the enterprises by the end of 1986. Among these, 28 percent are managed by a general assembly, 51 percent by an enterprise council, and one-fifth of these enterprises are operating under state management. The preparation for the development of the banking system also took place in 1986.

The economic management organs reviewed the economic activity of the sectors facing difficulties -- coal mining, iron metallurgy, surface construction industry, and meat processing industry -- and took measures to make these sectors more efficient. A law was issued on the order of elimination of lastingly insolvent economic organizations. A Council of Ministers' regulation controlled the extension of the notice time given to workers who are struggling with temporary employment difficulties due to the structural changes instituted in the economy and the supply of employment benefits for these workers.

The number of enterprise workers' business partnerships and of professional groups rendering industrial and other services continued to increase in 1986. The amounts paid to these groups increased but at a much lower rate than in the previous year.

The number of joint enterprises set up in Hungary with foreign capital increased in the course of the year. At the end of 1986 there were 24 such units operating in the industry.

Main Economic Development Indicators for 1986:

	Plan as a percentage of 1985	Fact
Gross domestic product	102.7	approx. 101.0
National income production	102.3-102.7	approx. 100.5
Domestic use	100.2-101.0	approx. 103.0
Industrial production	102.0-102.5	101.8
National construction and installation	101.0-101.5	99.0
Production of agricultural products	103.0-103.5	101.0
Population consumption	approx. 101.0	approx. 103.0
Per capita real income	101.0-101.5	approx. 103.0
Investments of socialist organs (in current prices)	103.5-105.1	105.1
Housing construction	86.2-89.6	95.6

Industry [subhead]

The gross production of the industrial organizations increased by 1.8 percent, at a slower rate than planned. State industrial enterprises increased their production by 1.3 percent and the industrial cooperatives increased theirs by 3.6 percent. Performance of private trade and of other industrial organizations increased faster than the average.

The proportion of exports in the sales of industrial products decreased compared to the previous year. The amount of products sold to the population increased by 2.1 percent, investment oriented sales increased by 6.5 percent, and sales for production consumption increased by 1.5 percent.

The number of employees in state and cooperative industry decreased by some 10,000 people, or 0.7 percent, and production per employee increased by 2.1 percent. The industry's stock of fixed assets increased at a rate exceeding production, and the efficiency of the assets deteriorated.

There was almost no change in industry's material intensiveness as a whole. The material consumption rate decreased in the machine industry, the building material industry, and in the electric power industry; however, it increased or remained unchanged in the other sectors. Enterprise profitability somewhat exceeded that of the previous year, although the specific production costs of the exported products increased.

Among energy resources the proportion of hydrocarbons increased from 59.9 percent in 1985 to 60.8 percent, and in such a way that there was an increase in the proportion of both mineral oil and natural gas consumption. Electric power production was 28 billion kilowatt-hours, nearly 5 percent more than in 1985. With the start-up of its No 3 Block, the Paks Nuclear Power Station supplied 27 percent of the electric power production. Net electric power imports dropped by 3 percent and their proportion of total electric power consumption dropped to 27 per cent. Coal production amounted to 23 million metric tons -- nearly 1 million metric tons, 3.8 percent, short of the 1985 quantity. The 2 million metric tons of mineral oil production was close to the previous year's figures. Natural gas production totalled 7.1 billion cubic meters, 5 percent less than in 1985.

Ferrous metallurgy production increased by 1.2 percent. Ruble-accounted exports of ferrous metallurgy products increased, and the convertible currency exports decreased considerably. The quality and product structure of steel production improved; the proportion of high-alloy steel and products manufactured from this material increased. The new coal coking block of the Duna Iron Works began production at the end of last year.

Aluminum metallurgy increased production by 3.4 percent. There was an increase in the proportion of semi-finished aluminum products, including forged products with a higher processing level, as well as of capitalist-import saving products. Exports in both currencies increased.

Machine industry production increased by 2.8 percent. With the exception of the electrical machinery industry, production increased in all machine industry branches, with the greatest increase recorded by the telecommunications and vacuum technology industries. The use of the available capacities deteriorated in several areas. Sales of machine industry products accounted in rubles were similar to last year's figures, while sales of the same products in convertible currency markets decreased compared to last year. The machine industry sector increased its domestic sales by 6.9 percent, including in particular a considerable increase in the supply of consumer goods -- of 14.6 percent. There was also an increase in investment-oriented sales. The Refrigerating Machine Factory's new unit for household refrigerators and deep freezers, with an annual capacity of 50,000 units, began operation.

Chemical industry production increased by 1.3 percent. Production in the mineral oil processing industry exceeded that of the previous year; production in the organic and inorganic chemical industry was identical with 1985, and production of fertilizers and pesticides was less than in 1985. The household and cosmetic chemical industry, the rubber processing industry, and several other branches increased production considerably. [paragraph continues]

Ruble-accounted exports of chemical industry products decreased slightly, and those in convertible currency increased considerably. This, however, was not enough to compensate for losses in income deriving from the decrease in prices. The chemical industry sold 1.7 percent more products on the domestic market than in the previous year, including 6.2 percent more consumer goods. Several important investments were concluded in the chemical industry. Among other things, the Linear Polyethylene Factory of the Tisza Chemical Combine was put into operation and production of generic pharmaceuticals at the Egis Pharmaceutical Plant was expanded.

The building material industry produced 1.9 percent more than in 1985. Production of modern building materials -- cellular concrete and concrete roof tiles -- increased several-fold.

Light industry production and sales remained at the 1985 level. Printing and paper industry production increased considerably. The fact that the Csepel Paper Mills expanded its corrugated sheet and corrugated box production capacity also contributed to this increase in production. Production in the clothing branches decreased as a whole.

Food industry increased production by 1.5 percent. There was an increase, among other things, in the production of slaughtered poultry, vegetable oil-industrial products, and canning industry products. The meat processing industry produced slightly less, and the sugar processing industry produced much less than in the previous year. In addition to fulfilling the population's demands, the food industry exported almost one-fifth of its production.

Building Industry [subhead]

The volume of national building and installation work was 1 percent less than in 1985. Production in the construction sector of the building industry was close to that of the previous year and the building activity of organizations outside the building industry decreased by some 6 percent. The volume of private building activity carried out for exports did not reach the level of 1985, and the proportion of this activity in general building contractors' activity stood at about 5-6 percent.

Compared to the previous year, the number of people employed in the construction sector of the building industry decreased by 9,000, or 3.2 percent. Production per employee exceeded the level of the previous year by 2.9 percent.

Some 69,346 apartments were built in 1986, more than stipulated by the plan and some 3,000 less than in 1985. Of the apartments constructed, 11 percent were built by the state and 89 percent by private persons. The new benefits provided for the support of housing construction played a role in the greater amount of housing than planned. Both state and privately built housing in Budapest lagged behind the figures of the previous year. There was a deterioration in the rate of handing the finished apartments over to their owners.

Agriculture and Silviculture [subhead]

Gross agricultural production increased at a lower rate than planned and exceeded that of 1985 by about 1 percent. Plant cultivation and animal husbandry increased at the same rate.

The total grain harvest for 1986 stood at 14.2 million metric tons, almost 600,000 metric tons or 4 percent less than in the previous year. The drop was mainly due to a decline in the average yields of cereals caused by drought. Wheat production stood at 5.8 million metric tons, 12 percent less than in the previous year. The area sown with wheat was 3 percent smaller than in 1985 and the yield of 4.36 metric tons per hectare lagged nearly 10 percent behind that of the previous year. The 7.2 million metric tons of corn production was 6 percent higher than the year before. This was entirely due to the increase in the cultivation area; the corn crop stood at 6.28 metric tons per hectare, essentially the same as in 1985.

As a result of a reduction in cultivation area and crops, sugar beet production was 8 percent less than in 1985. The greatest yield was achieved in sunflower seed production with a crop of 860,000 metric tons. An increase in cultivation area as well as the increased yield per hectare both contributed to this production increase.

The potato crop of 1.3 million metric tons was 8 percent less than in 1985. Vegetable production was essentially the same as in the previous year. Within this, there was a smaller crop of root vegetables, onions, and garlic, and there was a good or better crop of other vegetables such as green peppers and tomatoes.

Fruit crops increased by a total of 13 percent compared to 1985. The amount of apples, that made up two-thirds of fruit production, was close to 1.2 million metric tons, an increase of 22 percent. The grape harvest stood at 660,000 metric tons, 43 percent more than in the previous year, but 15 percent less than the average yield of the years between 1981-85.

According to the preliminary data from the animal census of January 1987, the country's pig population numbered 8.7 million, 4.8 percent more than a year earlier. The cattle stock dropped by 2.4 percent to 1.7 million head, and the number of sheep continued to decrease. Slaughter animal production exceeded 2.2 million metric tons, a drop of 3 percent compared to the previous year. Within this, however, slaughter poultry production increased by 9 percent. Among the major animal products, milk production was slightly greater, and wool and egg production was 3-4 percent smaller than in 1985.

The ancillary activity of the agricultural enterprises increased by about 4 percent. Overall gross production of this branch exceeded that of 1985 by almost 2 percent.

The number of active wage earners in agriculture and silviculture decreased by 36,000, or 3.7 percent, compared to 1985. The major part of the drop in the number of employees occured among people working in the basic activities, but there was also a decrease in the number of people engaged in industrial, building, and other activities.

Artificial fertilizer consumption in agriculture did not change essentially compared to the previous year. The sums allocated for investments in agriculture in 1986 were essentially identical with those allocated in the previous year; within this, however, less money was allocated for construction projects. In the course of the year, 4,000 new tractors, 720 new combines, and 270 new irrigation installations were put into operation. The construction of a granary and seed storage facility with a capacity of 685,000 metric tons was also concluded. The computerized liquid artificial fertilizer processing plant of the Hajdusag Agro-Industrial Association, a plant 120,000-150,000 hectares, was also completed in 1986.

Forest plantation stood at 8,000 hectares and afforestation also continued according to the plan. More valuable types of wood -- beech, pine, and oak -- made up 90 percent of the forest plantation areas. Net wood production was close to 69 million cubic meters. There was an increase mainly in the production of firewood; the amount of industrial wood production remained essentially the same as in the previous year.

Production Infrastructure [subhead]

In 1986 the transportation enterprises and cooperatives transported 4.6 percent more goods than in 1985 and, as a result of the decrease in transportation distances, their performance based on goods-tonnage/kilometers remained essentially on the level of the previous year. Performance increased slightly in railroad transportation and increased considerably in pipeline transportation; performance of public road transportation was close to the figures achieved in the previous year; in waterway transportation there was a decrease as a result of the decrease in maritime navigation.

Slightly fewer passengers made use of the long-distance passenger transportation facilities than in 1985. Within this, the number of railroad passengers continued to decrease, but the drop in the number of bus passengers that had been going on for several years stopped in 1986.

Passenger traffic on local public transportation increased by 1 percent. The number of district railroad passengers slightly decreased and the number of passengers on all other vehicles increased.

In the course of developing the public railroad network, among other things, 244 km of railroad tracks were reconstructed, 20 km of line were electrified, and railroad track block systems were installed on 73 km of line. The project to reconstruct railroad stations continued. Purchase of vehicles made it possible to begin the operation of 22 new electric locomotives and 238 new freight cars.

The road and communications modernization projects in the national public road network continued. The M-1 highway section between Herceghalom and Biatorbagy as well as another 2-km section of the M-5 highway were opened for traffic. In public road transportation in towns, 1,140 new buses, 12 new subway cars, and 8 trolleybus cars were put into operation. In the course of 1986, a total of 118,000 new cars were sold, more than in the previous years. The stock of automobiles in the country increased to 1.539,000 by the end of the year. Of this, 1.5 million cars were privately owned.

The development of the telecommunications network continued at an increasing pace with the introduction of the population's resources. In the course of the year, a total of 57,000 main lines and extensions were installed and their number exceeded 1.5 million. The network of radio transmitters increased with 4 new transmitters, and the number of television relay stations increased with 17 new stations.

At the end of 1986, 55,600 shops and catering facilities of the state and cooperative retail trade network and some 29,000 private retailers supplied the population with consumer goods. In the course of the year, the decrease in the number of state and cooperative shops and catering facilities stopped, and the increase in the basic area of the network of shops continued. The number of private retailers and catering facilities also increased considerably in 1986. The opening schedule of shops somewhat improved, but continues to be insufficiently in harmony with consumer demands. Repairs, maintenance, and other consumer services in 1986 were carried out by some 16,000 network units in the socialist sector and by a considerable number of the 150,000 small artisans.

As a result of the planned development of water management, the average daily production capacity of the public utility water plants increased by 3.1 percent and was close to 5.5 million cubic meters a day. Drinking water consumption increased by 8 percent and stood at an average of 2.6 million cubic meters a day. The water pipeline network also grew faster than the sewage pipeline network in 1986. Some 86 percent of the population are supplied with water pipelines and 47 percent are supplied with sewage pipes. The water damage protection system continued to be built and neither floods nor inland waters caused considerable damage in the course of the year.

Foreign Trade [subhead]

The volume of imports in 1986 was 2 percent higher and that of exports 2 percent lower than in 1985. The socialist countries accounted for 58 percent of the overall foreign trade turnover, slightly more than in the previous year.

In ruble-accounted trade, the mutual exchange of goods with the CEMA countries continued to expand: The amount of imported goods increased by 4 percent and the amount of exported goods stood at the same level as in the previous year. There was a considerable increase in imports of energy and raw materials, industrial consumer goods, and of agricultural and food industry products; machine industry imports lagged behind the figure of 1985. There was an increase in exports of agricultural and food industry products, but exports of other goods did not reach the level of the previous year.

In foreign trade turnover accounted in convertible currency, the volume of imports increased by 1 percent and the volume of exports decreased by more than 3 percent. There was an increase mainly in imports of industrial finished products, machines aimed at modernizing the technological level of production, and industrial consumer goods. Imports of agricultural and food industry products and of raw materials increased somewhat compared to 1985, and energy imports decreased considerably. The decrease in exports was mainly due to the large drop in exports of agricultural and food industry products. Of the processed industrial products, exports of industrial consumer goods increased and exports of investment-oriented machines decreased. This latter was also due to deterioration in the solvency of the mineral oil-exporting countries.

Total imports of the people's economy in 1986 considerably exceeded exports. The import surplus derived from the convertible currency turnover. In addition to the quantitative changes, the unfavorable development in prices also caused huge losses to the people's economy. As a result of the increase in import prices and the decrease in export prices, the terms of trade deteriorated in 1986 by 7.5 percent.

Tourism [subhead]

In 1986, 16.6 million foreign tourists visited Hungary, 1.5 million or 10 percent more than in the previous year, and more than in any year of the eighties. Three-quarters of the foreigners came from socialist countries.

Among the foreigners visiting Hungary, 10.6 million were tourists who spent more than 1 day in Hungary. Their number exceeded the figure of the previous year by 900,000, or 9 percent.

The number of commercial accommodation places increased by 8,000 in a year, including an increase of 3,400 hotel beds. New hotels were completed: the Taverna in Budapest, the Thermal Hotel in the Buk Mountains, and the Club Tihany recreational village. The reconstruction of the Hungaria Grand Hotel was also completed. There was an increase in the importance of tourism related to international congresses and various events. Constructing and putting into operation the Formula 1 racing course has also contributed to this type of tourism.

Hungarian citizens travelled abroad on 6.3 million occasions, an increase of 800,000 or 14 percent compared to 1985. The travel destination was a socialist country 86 percent of the time.

The balance of tourism-related foreign exchange revenues and expenditures showed a greater surplus than in the previous year both in rubles and in convertible currencies.

Income and Consumption [subhead]

Per capita real income rose by some 3 percent, instead of the planned 1-1.5 percent. The increase stemmed from a similar increase in incomes deriving from work and from social benefits. The fast outflow of nominal incomes played a determining role in the increase of real incomes, an increase that exceeded the plan. Consumer prices increased by 5.3 percent, at a rate close to that planned.

The gross average monthly wages of a worker and an employee in 1986 stood at 6,540 forints, and the average wages of the workers in agricultural cooperatives, wages deriving from the common assets, stood at 5,760 forints, respectively about 8 percent and 7.6 percent more than in 1985. Both real wages per worker and per employee and the real income of cooperative farmers that was derived from collective work went up by more than 2 percent, instead of remaining stable as planned.

Social benefits in cash totalled 148.5 billion forints in 1986, 8 percent more than in the previous year. Of this sum, 99.2 billion forints were paid for pensions, 8 percent more than in 1985. The number of pensioners grew by 38,000 people in a year and stood at 2,337,000 people at the end of 1986. The monthly average pension per pensioner was 3,565 forints in 1986, 6.7 percent more than in the previous year.

Family allowance payments in 1986 totalled 21.5 billion forints, 1 percent more than in the previous year. The number of families eligible for family allowances decreased slightly.

The total sum paid as child care allowances in 1986 stood at 5.6 billion forints, 28 percent more than in the previous year. The fact that the eligibility for child-care allowances was extended to cover children up to 1 and 1/2 years of age played a primary role in this increase. The total number of people receiving child-care allowances increased by 4,000, or 2 percent, in a year and stood at 224,000 at the end of 1986.

The volume of social incomes in kind -- health care, education, cultural, and other services -- exceeded the level of the previous year by some 2.5 percent.

Per capita consumption in 1986 increased more than planned, by about 3 percent. Within this, consumption of products increased faster and the consumption of services increased somewhat slower. In comparable prices, the retail trade sold 3.5 percent more goods than in the previous year. The retail sales of food and beverages increased by 5.2 percent, and that of mixed industrial goods increased by 5.9 percent. The volume of clothing turnover decreased by 2.9 percent, and that of catering decreased by 2.4 percent.

The supply of basic food and beverages was adequate all year round. The improvement in the supply of clothing affected almost every item. While there was a better supply of mixed industrial goods, the supply of some durable consumer goods was not steady. The supply of solid fuel became gradually balanced and the shortage of assortments also decreased. The supply of the majority of building materials was good, the supply of certain building materials was adequate, and the supply of some items was not steady.

The stock of savings accounts increased in the course of the year by 30 billion forints, including the interest and on 31 December 1986 stood at 274 billion forints. The amount of the population's savings placed in bonds increased by more than 3 billion forints in 1986.

Population, Health Care, Education [subhead]

On 1 January 1986, Hungary's population numbered 10,622,000 people, 18,000 or 0.2 percent less than in the previous year. In 1986, 128,000 children were born, some 1,700 fewer than in 1985, but slightly more than in 1983 and 1984. The number of live births per 1.000 people was 12.1 percent.

Last year, 146,000 people died, almost 1,200 fewer than in 1985. The mortality rate of 13.8 per 1,000 people was slightly lower than in the previous year. Infant mortality also decreased. Out of 1,000 live births, 19 children died before they reached 1 year of age, 1 less than in 1985.

There was an improvement in the level of health care in 1985. The number of physicians per 10,000 people increased to 39.9. In the course of the year, the number of districts with a general practitioner and a pediatrician increased by 72 and the number of village dental districts increased by 6. The number of people per district general physician and pediatrician decreased by 24 and stood at 1,913.

As a result of development and elimination, the number of usable hospital beds increased by 1,500 in the course of the year and stood at 103,900. There were 97.8 hospital beds per 10,000 people in 1986.

The number of places in social welfare homes at the end of 1986 stood at 38,600, 700 more than a year earlier.

The number of day nurseries decreased by 1,100 in 1986 and stood at 67,200 places at the end of the year; there were 17.8 places per 100 nursery-age children.

The number of kindergarten places decreased in 1986 by 2,700, but there were also fewer kindergarten-age children. Thus, crowding in kindergartens decreased. Of the kindergarten-age children, 92 percent attended the kindergarten courses.

There are 1,342,000 students attending day-school courses in the 1986-87 school year, almost the same number as a year earlier. The number of classes increased by 744 in 1986. Some 41.9 percent of students attend daytime schools.

Of the students graduating with 8 classes of general school, 94 percent continue their studies: Similarly to previous years, half of them continue their studies in secondary schools and half in professional and vocational schools. There are 800 more students studying in daytime courses at secondary schools, and some 1,000 fewer students in vocational schools, compared to the previous school year. Of the secondary school students, one-fifth live in student hostels. In 1986, 52,300 students graduated from the day courses with a high-school diploma, 3,600 more than in the previous year.

There are almost 100,000 students studying in institutes of higher education, 64,000 of them in day courses. The proportion of people of 18-22 years of age who receive higher education is 9.6 percent. Of the daytime university students, 47 percent live in student hostels. In 1986, 24,700 students graduated from a university course.

SPOKESMAN CONDEMNS KIDNAPPINGS IN LEBANON

LD051453 Belgrade TANJUG in English 1312 GMT 5 Feb 87

[Text] Belgrade, February 5 (TANJUG) -- We most strongly condemn the kidnapping and taking of hostages as an unacceptable method, regardless of the motives guiding the perpetrators of such acts. Such acts only serve to aggravate the situation in the region and pose a threat to world peace and security.

The above statement was made by Yugoslav Foreign Secretariat Spokesman Aleksander Stanic to newsmen today, commenting on the latest developments of the situation in Lebanon where the hostage crisis is steadily acquiring wide international dimensions.

EC FUND APPROVES LOAN FOR CREATION OF JOBS

AU051226 Belgrade POLITIKA in Serbo-Croatian 27 Jan 87 p 7

[Text] (TANJUG) -- Faster employment of people returning from abroad should be improved in undeveloped communes next month by a loan of $17.5 million. This loan was approved by the EC's Fund for Reintegration. The loan will begin after the contract on financing is signed, which is expected to be at the end of this month.

Joining this fund last year as the first associate member, Yugoslavia negotiated a development loan of $35 million. It is envisaged that this money will be spent on 50 selected programs planned for this and next year.

The rule for all these 50 programs awaiting foreign funds is that they must provide at least one-third of available jobs for those returning from abroad. It is expected that the loan will enable 10,000 people find a job, including more than 3,000 jobs for those who were until recently "guest workers."

AUSTRIAN CHANCELLOR'S FEB VISIT ANNOUNCED

LD051901 Belgrade TANJUG in English 1308 GMT 5 Feb 87

[Text] Belgrade, February 5 (TANJUG) -- Austrian Federal Chancellor Dr. Franz Vranitzky will make an official friendly visit to Yugoslavia in the second half of February at the invitation of Yugoslav Premier Branko Mikulic, it was announced today in Belgrade.

Relations between Austria and Yugoslavia are friendly and well-developed and they represent a good basis for further expansion and promotion of mutual cooperation, Yugoslav Foreign Secretariat spokesman Aleksandar Stanic said today. Yugoslavia has a long-term interest in building good-neighbour relations with Austria, starting from the well-known principles, Stanic said.

Stanic recalled that Yugoslavia and Austria give priority in their foreign policies to development of relations with neighbours.

Vranitzky's visit to Yugoslavia would continue the practice of a top level political dialogue, important to further development of comprehensive and mutually beneficial good-neighbour cooperation, it was stated at a press conference in the Yugoslav Foreign Secretariat.

POLISH AGENCY CALLS SFRY 'CAPITALIST' COUNTRY

AU051532 Belgrade BORBA in Serbo-Croatian 26 Jan 87 p 4

[Report by permanent correspondent N. Burzan: "More Than Black Humor"]

[Excerpts] Warsaw, 25 Jan -- The Poles are well known as excellent humorists and satirists who cultivate a specific, biting, and sarcastic manner, not sparing anyone, including themselves. This is their national characteristic and is their own business, but they are apt to exaggerate, and it is no wonder that many people call this Polish folklore black humor.

For instance, in the government organ RZECZPOSPOLITA, the Polish travel agency Orbis has published for the second time a special supplement with its programs of tours abroad. Along with the usual information about tours and prices, the method of payment, and transportation, the programs are divided into group and individual travel.

There is, however, another -- more essential -- division: between socialist and capitalist countries. For group travel, Yugoslavia is listed -- believe it or not -- among capitalist countries, together with Greece, Italy, Spain, the FRG, France, Switzerland, Cyprus, etc. However, in the "individual travel" section, the SFRY is nevertheless listed among socialist countries, together with the CSSR and Bulgaria.

When this Orbis supplement appeared for the first time, we believed it was an error that may always occur, and we hoped that next time it would be corrected. Certainly not; the second issue is the same as the first: Yugoslavia is a "capitalist country."

Of course, any commentary is superfluous. The Poles -- at least 99 percent of them -- certainly know what the social system is in Yugoslavia. How come the one percent of those who do not know are a part of the distinguished travel agency Orbis or the government organ, RZECZPCSPOLITA? This is the question.

If it by some chance occurred to somebody in Yugoslavia to write that Poland is a capitalist country, it would cause a storm of protest here. And the storm would be justified. Will Orbis or RZECZPOSPOLITA, or both together, at least carry some sort of apology, both to their readers and travelers and to Yugoslavia?

Or is it perhaps just another case of specific Polish black humor?

FEC CONCERNED OVER 'HAPHAZARD' PRICE INCREASES

LD060039 Belgrade TANJUG Domestic Service in Serbo-Croatian 1745 GMT 5 Feb 87

[Text] Belgrade, 5 Feb (TANJUG) -- At a session held today and presided over by Branko Mikulic, the FEC discussed price trends in January and expressed concern over their economically unjust and haphazard increase, which is not in accordance with the established economic policy. It was assessed, the Federal Secretariat for Information reports, that some of the organizations of associated labor and sociopolitical organizations are not acting in accordance with the established economic and development policy. This primarily refers to expenditure which is disproportionate to real income, which entails further pressure due to spending.

Extremely unfavorable price trends demand that sociopolitical communities and producers should as soon as possible reexamine their decisions and actions in this area. They are expected to adopt a more responsible attitude toward the established policy for this year. If they do not, it will be extremely difficult to implement the stands on the country's socioeconomic development contained in this year's resolution.

In February the FEC will prepare a more comprehensive report on the economic and price trends at the beginning of the year and will send the report to the SFRY Assembly with proposed economic measures that would ensure the resolution's realization.

The law on the procedure in courts of associated labor, whose draft was established at today's session, will, in an integral manner, set the rules of procedure in these courts which will be adapted to the social character of relations with which they deal. In this way problems which arise in practice due to lawsuits will be overcome, and better and more efficient work by the courts of associated labor will be ensured.

The FEC also established the draft law on the arrival of foreign participants of the 1987 University Games to our country. It refers to a document foreigners will have to possess to be considered participants in this sporting event and be able to enter our country without a Yugoslav visa. According to the proposal, participants in the university games will be foreigners who, in addition to their passports, also possess documents certifying their participation in this event, a certificate issued by a national student organization of an international sports organization.

The changes to the law concerning the TANJUG News Agency, whose draft was also established at today's session, define in precise terms questions relating to the agency's work and the provision of funds for its realization. The draft changes also establish the composition of TANJUG's council as well as its authority, rights, duties, and the procedure for appointing the agency's director and editor in chief.

The FEC also established the draft agreements on the supply of electricity to Montenegro on the principles of solidarity, and the conditions for abandoning the construction of the Tara Canyon hydroelectric power plant. Since it is in the common interest that Tara Canyon be fully and lastingly protected, participants of the agreement would, on the principles of solidarity, ensure the fulfillment of energy and economic interests, corresponding to those that this republic would possess if hydroelectric power plants were built on this river.

BRIEFS

AMBASSADOR TO ETHIOPIA -- Belgrade, 27 Jan (TANJUG) -- By decree of the SFRY Presidency, Ivan Senicar, previously chairman of the Foreign Relations Committee of the Executive Council of the Socialist Republic of Slovenia, has been appointed ambassador extraordinary and plenipotentiary of the SFRY to Socialist Ethiopia. [Text] [Belgrade TANJUG Domestic Service in Serbo-Croatian 1317 GMT 27 Jan 87 LD]